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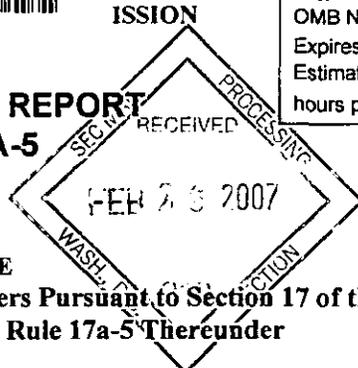
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**



SEC FILE NUMBER
8-51549

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01-01-06 AND ENDING 12-31-06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Coldstream Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

One 100th Avenue, NE, Suite 102

(No. and Street)

Bellevue
(City)

Washington
(State)

98004
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Kevin M. Fitzwilson

(425) 283-1600

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Geffen, Mesher & Company, P.C.

(Name - if individual, state last, first, middle name)

888 SW Fifth Avenue, Suite 800

(Address)

Portland

(City)

Oregon

(State)

97204

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

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THOMSON FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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SEC 1410 (06-02)

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COLDSTREAM SECURITIES, INC.

**FORM X-17A-5 PART IIA OF THE
FOCUS REPORT OF THE
SECURITIES AND EXCHANGE COMMISSION
YEAR ENDED DECEMBER 31, 2006**

COLDSTREAM SECURITIES, INC.

FORM X-17A-5 PART IIA OF THE
FOCUS REPORT OF THE SECURITIES AND EXCHANGE COMMISSION
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GEFFEN MESHER

& COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Coldstream Securities, Inc.
Bellevue, Washington

We have audited the accompanying statement of financial condition of Coldstream Securities, Inc. as of December 31, 2006, and the related statements of operations, changes in shareholder's equity, changes in subordinated borrowings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coldstream Securities, Inc. as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Geffen Mesher & Company, P.C.

February 19, 2007



COLDSTREAM SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

ASSETS

December 31, 2006

Cash and cash equivalents	\$	41,986
Placement fees receivable		25,036
Other assets		2,833
<hr/>		
Total assets	\$	69,855
<hr/>		

LIABILITIES AND SHAREHOLDER'S EQUITY

Accounts payable and accrued expenses	\$	44,151
Subordinated loan		23,928
<hr/>		
Total liabilities		68,079
<hr/>		
Total shareholder's equity		1,776
<hr/>		
Total liabilities and shareholder's equity	\$	69,855
<hr/>		

COLDSTREAM SECURITIES, INC.

STATEMENT OF OPERATIONS

Year Ended December 31, 2006

Revenue

Placement fee revenue \$ 25,036

Expenses

Professional services 28,269

Licenses and permits 4,351

Administrative fees 11,100

Miscellaneous 1,789

Total operating expenses 45,509

Other income (expense)

Interest income 1,134

Interest expense (716)

418

Net loss before income taxes (20,055)

Income taxes -0-

Net loss (\$ 20,055)

COLDSTREAM SECURITIES, INC.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	<u>Common stock, no par; 112 shares authorized</u>				
	Number of shares issued and outstanding	Amount	Additional paid-in capital	Retained deficit	Total shareholder's equity
Balance at January 1, 2006	112	\$ 10,000	\$ 43,000	(\$ 51,169)	\$ 1,831
Capital contributions			20,000		20,000
Net loss				(20,055)	(20,055)
Balance at December 31, 2006	112	\$ 10,000	\$ 63,000	(\$ 71,224)	\$ 1,776

COLDSTREAM SECURITIES, INC.

STATEMENT OF CHANGES IN SUBORDINATED BORROWINGS

Balance at January 1, 2006	\$	23,928
Activity during 2006		-0-
Balance at December 31, 2006	\$	23,928

COLDSTREAM SECURITIES, INC.
STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

Cash flows from operating activities

Net loss (\$ 20,055)

**Adjustments to reconcile net loss to net cash
used in operating activities**

Placement fees receivable (25,036)

Other assets (1,580)

Accounts payable and accrued expenses 14,390

Net cash used in operating activities (32,281)

Cash flows from financing activities

Capital contribution 20,000

Net decrease in cash and cash equivalents (12,281)

Cash and cash equivalents at beginning of year 54,267

Cash and cash equivalents at end of year \$ 41,986

COLDSTREAM SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

1. Line of business and significant accounting policies

Line of business

Coldstream Securities, Inc. (the "Company"), an Oregon corporation, was organized to provide broker and dealer services relative to private placements and mutual funds to customers throughout the United States. The Company is a wholly-owned subsidiary of Coldstream Holdings, Inc. and operates from their office in Bellevue, Washington.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Placement fee revenues are fees received for the referral of an investor to a limited partnership and are recognized based on the terms of the closing agreement of each transaction.

Cash and cash equivalents

Cash equivalents are funds in a money market account and are recorded at cost, which approximates fair value. The Company considers short-term, highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Concentration of credit risk

The Company has cash and cash equivalents in the form of deposits which may exceed depository insurance limits. The company makes such deposits with high credit quality entities and has not incurred any credit related losses.

The Company's receivables consist of placement fees due on closed transactions. Placement fees receivable are typically collected within a few weeks after closing. The Company has not incurred any material credit related losses on receivables. No provision has been made for uncollectible accounts.

Income taxes

Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date.

COLDSTREAM SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2006

1. Line of business and significant accounting policies (continued)

Income taxes (continued)

The temporary differences giving rise to deferred taxes principally relate to net operating loss carryforwards of approximately \$71,000 which expire through 2026 that may be applied against future taxable income. The resulting deferred tax asset of \$10,650 has been offset by a valuation allowance of the same amount. The expected tax benefit of approximately \$3,000 that would result from applying federal statutory tax rates to the pre-tax loss of \$20,005 differs from amounts reported in the financial statements because of the \$3,000 increase in the valuation allowance in 2006.

The Company files a consolidated federal tax return with its parent and records its share of the consolidated federal and state tax expense on a separate return basis.

2. Capital requirements

The Company is subject to the Securities and Exchange Commission ("SEC") Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2006, the Company had a net capital deficiency of \$2,990 which was \$7,990 deficient of the required net capital of \$5,000. The Company's aggregate indebtedness was \$44,151 at December 31, 2006, resulting in a ratio to net capital deficiency of -14.77 to 1.

As a result of its net capital deficiency, the Company gave notice of the net capital requirement, current net capital deficiency and corrective action as required by the notification provisions for brokers and dealers in accordance with SEC Rule 17a-11. On February 16, 2007, the Company received a \$50,000 contribution from its parent company to correct the net capital deficiency.

3. Subordinated loan agreement

The subordinated loan is from Coldstream Holdings, Inc. and bears interest at 3% per annum. The loan is payable along with accrued interest, on March 1, 2008. Accrued expenses include \$2,248 of unpaid interest at December 31, 2006.

The subordinated borrowings are available in computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. Furthermore, repayments of the loan require prior written approval of the National Association of Securities Dealers (NASD).

4. Related party transactions

The Company paid its parent \$925 per month in 2006 for administrative fees including rent, telephone and other miscellaneous expenses under an expense sharing agreement. Included in accounts payable and accrued expenses is an amount due to the Company's parent of \$20,439 for accrued interest and expenses paid on the Company's behalf.

ACCOMPANYING INFORMATION

COLDSTREAM SECURITIES, INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2006

Net capital

Total shareholder's equity \$ 1,776

Add

Liabilities subordinated to claims of creditors 23,928

25,704

Less nonallowable assets

Placement fees receivable 25,036

Other assets 2,833

27,869

Net capital before haircut and undue concentrations (2,165)

Less haircut and undue concentrations 825

Net capital (\$ 2,990)

Aggregate indebtedness

Accounts payable and accrued expenses and other liabilities \$ 44,151

Computation of basic net capital requirements

Minimum net capital required \$ 5,000

Net capital deficiency (\$ 7,990)

Excess of net capital at 1,000% (\$ 7,405)

Ratio of aggregate indebtedness to net capital -14.77 to 1

Reconciliation with Company's computation

Net capital, as reported in the Company's Part IIA (unaudited), filed January 12, 2007 \$ 17,853

Audit adjustment for increase in accrued expenses (20,842)

Net capital per above (\$ 2,990)

COLDSTREAM SECURITIES, INC.

EXEMPTION FROM RESERVE REQUIREMENTS UNDER RULE 15C3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

YEAR ENDED DECEMBER 31, 2006

Exemptive provisions

The Company is exempt from Rule 15c3-3 because the Company does not receive or hold any customer securities or cash.

GEFFEN MESHER

& COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY RULE 17a-5

Board of Directors
Coldstream Securities, Inc.
Bellevue, Washington

In planning and performing our audit of the financial statements of Coldstream Securities, Inc. for the year ended December 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3(e). Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

Making quarterly securities examinations, counts, verifications, and comparisons.

Recordation of differences required by Rule 17a-13.

Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they might become inadequate because of changes in conditions and that the effectiveness of their design and operation may deteriorate.



COLDSTREAM SECURITIES, INC.

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5 (CONTINUED)

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Company's internal control. However, we noted the following matters involving the control environment and its operation that we consider to be material weaknesses as defined above:

The failure to record placement fee revenue earned during the year and related expenses was a material misstatement identified by the auditor in the financial statements for the period under audit and was not initially identified by the Company's internal controls over the application of accounting principles generally accepted in the United States of America and over the period-end financial reporting process.

Ineffective oversight of the entity's financial reporting and internal control by those charged with governance.

These conditions were considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of the Company for the year ended December 31, 2006 and this report does not affect our report thereon dated February 19, 2007.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate as of December 31, 2006, to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of Coldstream Securities, Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control, and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended for the use of the Board of Directors, management, the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Jeffrey Mesher & Company, P.C.

February 19, 2007

END