



SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20540

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

SEC FILE NUMBER  
8-51278

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: SYNERGY INVESTMENT GROUP, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

Official Use Only  
FIRM ID. NO.

8320 UNIVERSITY EXECUTIVE PARK DRIVE  
(No. and Street)

CHARLOTTE  
(City)

NORTH CAROLINA  
(State)

28262  
(Zip code)

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

TIMOTHY J. BAIN

(704) 333-7637

(Area Code-Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

FAULKNER AND THOMPSON, P.A.

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

226 NORTH PARK DRIVE, #110  
(Address)

ROCK HILL  
(City)

SC 29730  
(State) (Zip Code)

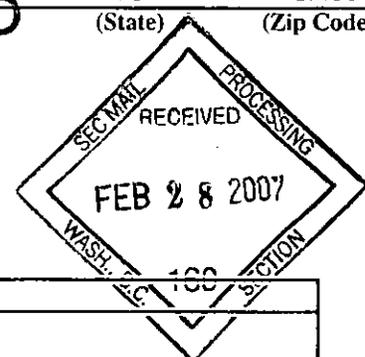
CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in U.S. or any of its possessions.

**PROCESSED**

MAR 21 2007

THOMSON FINANCIAL



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SEC 1410 (06-02)

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## Oath or Affirmation

I, **Timothy J. Bain**, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedules pertaining to the firm of **Synergy Investment Group, LLC**, as of **December 31, 2006**, are true and correct. I further swear (or affirm) that neither the company, nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified as that of a customer.



Signature

Financial Operations Principal  
Title

Subscribed and sworn to before me this  
28th day of February, 2007.



Notary Public

Commission Expires July 11, 2010

This report \*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see Section 240.17a5(e)(3).

Securities and Exchange Commission

Washington, D.C. 20549

Annual Audit Report

For the year January 1, 2006 to December 31, 2006

Synergy Investment Group, LLC

(Name of Respondent)

8320 University Executive Park Drive  
Charlotte, North Carolina 28262

(Address of Principal Executive Officer)

Timothy J. Bain

Synergy Investment Group, LLC  
8320 University Executive Park Drive  
Charlotte, North Carolina 28262

(Name and address of person authorized to receive  
notices and communications from the Securities  
and Exchange Commission)

**SYNERGY INVESTMENT GROUP, LLC  
REPORT ON AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

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ROBERT E. FAULKNER  
T. DALE THOMPSON  
D. KYLE TILLMAN

CERTIFIED IN S.C. AND N.C.

**FAULKNER AND THOMPSON, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT OF INDEPENDENT AUDITORS**

The Manager and Members  
Synergy Investment Group, LLC

We have audited the accompanying statement of financial condition of Synergy Investment Group, LLC as of December 31, 2006, and the related statements of income, changes in members' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 U.S. generally accepted auditing standards. 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 Synergy Investment Group, LLC as of December 31, 2006 and the results of its operations and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. 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.

*Faulkner and Thompson, P.A.*

February 26, 2007

**SYNERGY INVESTMENT GROUP, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2006**

<b>ASSETS</b>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 855,337
Receivables from clearing organizations	455,094
Deposits with clearing organizations and others	316,481
Receivables from broker-dealers, net of allowance for uncollectible accounts of \$111,000	173,356
Receivable from related parties	15,957
Prepaid expenses	8,286
Furniture, equipment and leasehold improvements, net of accumulated depreciation	<u>31,604</u>
Total assets	<u>\$ 1,856,115</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>	
<b>LIABILITIES</b>	
Payable to broker-dealers	\$ 525,290
Accounts payable and accrued expenses	<u>225,163</u>
Total liabilities	750,453
<b>MEMBERS' EQUITY</b>	<u>1,105,662</u>
Total liabilities and members' equity	<u>\$ 1,856,115</u>

The accompanying notes are an integral part of these financial statements.

**SYNERGY INVESTMENT GROUP, LLC**  
**STATEMENT OF INCOME**  
**For the year ended December 31, 2006**

<b>REVENUE</b>	
Commission and related income	\$ 15,035,582
Investment advisory fees	<u>333,045</u>
Total revenue	<u>15,368,627</u>
<b>OPERATING EXPENSES</b>	
Non-employee sales commissions	11,405,953
Employee compensation and benefits	1,322,097
Clearing and execution charges	958,237
Management fees	314,600
Insurance	167,120
Professional fees	108,268
License and registration	159,933
Advertising and promotion	54,691
Miscellaneous expenses	40,082
Rent and occupancy	61,228
Litigation	95,452
Travel and entertainment	15,098
Technology services	48,769
Bad debt	5,915
Telephone and communications	17,548
Depreciation and amortization	<u>8,233</u>
Total operating expenses	<u>14,783,224</u>
Net income	\$ <u><u>585,403</u></u>

The accompanying notes are an integral part of these financial statements.

**SYNERGY INVESTMENT GROUP, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
For the year ended December 31, 2006

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MEMBERS' EQUITY, BEGINNING OF YEAR	\$ 520,259
Net income	<u>585,403</u>
MEMBERS' EQUITY, END OF YEAR	<u>\$ 1,105,662</u>

The accompanying notes are an integral part of these financial statements.

**SYNERGY INVESTMENT GROUP, LLC**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2006

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net income	\$ 585,403
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	8,233
Increase in reserve to uncollectible accounts receivable	26,000
Increase in receivables from clearing organizations	( 84,384 )
Increase in deposits with clearing organizations	( 163,184 )
Increase in other receivables	( 78,636 )
Decrease in prepaid expenses	29,899
Increase in receivable from related parties	( 7,525 )
Increase in payables and accrued expenses	<u>171,450</u>
Net cash provided by operating activities	<u>487,256</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of furniture and equipment	( <u>26,594</u> )
Net cash used for investing activities	( <u>26,594</u> )
Increase in cash	460,662
CASH, BEGINNING OF YEAR	<u>394,675</u>
CASH, END OF YEAR	<u>\$ 855,337</u>

The accompanying notes are an integral part of these financial statements.

**SYNERGY INVESTMENT GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

Synergy Investment Group, LLC (the *Company*) is registered as a broker-dealer with the Securities and Exchange Commission (*SEC*) and is a member of the National Association of Securities Dealers, Inc. (*NASD*). The *Company* was formed on June 24, 1998 as a North Carolina Limited Liability Company and received its broker-dealer status June 25, 1999. As a limited liability company, members have limited liability for certain acts. The *Company's* charter will terminate in the year 2099. The *Company* has offices in the southeastern United States and throughout other areas in the United States. The *Company's* primary source of revenue is derived from providing brokerage services and electronic trading facilities to customers who are predominantly middle and upper income individuals and small and middle-market businesses. The *Company* clears all of its customer transactions through other broker-dealers on a fully disclosed basis.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

The *Company* considers investments with an original maturity of three months or less when purchased to be cash equivalents. At December 31, 2006, \$316,481 of the *Company's* cash balance was held by clearing brokers and was therefore restricted and not included in cash.

**Securities Transactions**

Securities transactions, commission revenue and commission expenses are recorded on a trade-date basis. Unrealized gains and losses on securities transactions, if any, are included in riskless principal transactions in the statement of operations. Marketable securities are recorded at market value.

**Receivables from Brokers or Dealers**

Receivables from brokers or dealers are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off all balances when amounts are deemed uncollectible.

**Furniture, Equipment and Leasehold Improvements**

Furniture and equipment is recorded at cost. Minor additions and renewals are expensed in the year incurred. Major additions and renewals are capitalized and depreciated using the straight-line method over the estimated useful lives of the related assets, which range from three to forty years. Leasehold improvements are amortized over the lesser of their economic useful lives or the expected term of the related lease.

**Commissions**

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

**Investment Advisory Income**

Investment advisory fees are received in advance on a quarterly basis but are recognized as earned.

**SYNERGY INVESTMENT GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Use of Estimates**

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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.

**NOTE 3 – FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Furniture, equipment and leasehold improvements consisted of the following at December 31, 2006:

Computer and office equipment	\$ 53,674
Computer software	4,660
Leasehold improvements	<u>16,925</u>
	75,259
Less: Accumulated depreciation	( <u>43,655</u> )
	<u>\$ 31,604</u>

Depreciation and amortization expense for the year ended December 31, 2006 totaled \$8,233.

**NOTE 4 – INCOME TAXES**

The Company, as a limited liability company under the Internal Revenue Code and applicable state statutes, has elected to be treated as a partnership for income tax purposes. Any income or loss of the Company flows through to the members to be taxed at the members' respective rates. Accordingly, no provision has been made for federal or state income taxes in the accompanying financial statements.

**NOTE 5 – RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2006, the Company paid approximately \$80,000 for certain employee-related costs and other operational costs of related parties.

The Company rents a facility from a related party on a month-to-month basis. Rent expense in 2006 amounted to \$18,000.

The Company paid management fees totaling \$314,600 to its parent company during 2006.

At December 31, 2006, net amounts due from related parties amounted to \$15,957.

**SYNERGY INVESTMENT GROUP, LLC  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - CONTINGENCIES AND COMMITMENTS**

In some instances, the Company can be held liable for trades that have not been closed by certain company representatives. However, management believes the likelihood of such an occurrence is remote, and accordingly, no provision has been recorded in these financial statements.

The Company is a defendant in litigation incidental to its securities business. Management of the Company, after consultation with outside legal counsel, believes that except for the following, the resolution of these lawsuits will not have a material adverse effect on the Company's financial position. An accrual of \$45,000 has been included in the financial statements based upon management's estimate of expense related to this matter.

**NOTE 7 - CONCENTRATIONS OF CREDIT RISK**

The Company does not carry accounts for customers or perform custodial functions related to customers' securities. The Company introduces all of its customer transactions, which are not reflected in these financial statements, to its clearing broker, who maintains the customer accounts and clears the customer transactions. Additionally, this clearing broker provides the clearing and depository operations for the Company's proprietary securities transactions. These activities may expose the Company to off-balance-sheet risk in the event that the customers do not fulfill their obligations with the clearing broker, as the Company has agreed to indemnify the clearing broker for any resulting losses.

The Company performs ongoing credit evaluations of its customers' financial condition as part of the lending process. No single customer accounts for greater than one percent of total revenue.

The Company's cash consists primarily of funds in money market accounts and time deposits. At certain times the Company has cash balances in excess of federally insured limits. Concentration of credit risk with respect to cash is limited due to the fact the Company restricts investing cash to only highly rated financial institutions.

**NOTE 8 - RETIREMENT PLAN**

The Company implemented a Simple IRA Plan for the benefit of its employees. The Plan requires the Company to make a matching contribution equal to the salary reduction contribution of each eligible employee, up to a maximum of three percent of the eligible employee's compensation. The Company contributed approximately \$34,000 to the Plan for the year ended December 31, 2006.

**NOTE 9 - NET CAPITAL REQUIREMENT**

As a registered broker-dealer, the Company is subject to the Securities and Exchange Commission 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) not exceed 15 to 1.

At December 31, 2006, the Company had net capital (as defined) of \$876,459, which exceeded the minimum net capital requirements by \$826,429. The Company's ratio of aggregate indebtedness to net capital was .9 to 1 at December 31, 2006.

**SUPPLEMENTARY INFORMATION**

**PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**As of December 31, 2006**

**SYNERGY INVESTMENT GROUP, LLC**  
**SCHEDULE I – COMPUTATION OF NET CAPITAL UNDER**  
**RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**As of December 31, 2006**

<b>Net Capital</b>	
Total members' equity	\$ 1,105,662
Deductions and/or charges:	
Nonallowable assets:	
Receivables from related parties	( 15,957 )
Furniture, equipment and leasehold improvements, net	( 31,604 )
Other assets	( <u>181,642</u> )
Net capital	\$ <u><u>876,459</u></u>
 <b>Aggregate Indebtedness</b>	
Items included in the statement of financial condition:	
Payables to broker-dealers	\$ 525,290
Accounts payable, accrued expenses and other liabilities	<u>225,163</u>
Aggregate indebtedness	\$ <u><u>750,453</u></u>
 <b>Computation of Basic Net Capital Requirements</b>	
6-2/3% of aggregate indebtedness	\$ <u><u>50,030</u></u>
 <b>Minimum Net Capital Requirement</b>	\$ <u><u>50,000</u></u>
 <b>Net Capital Requirement</b>	\$ <u><u>50,030</u></u>
 <b>Excess Net Capital</b>	\$ <u><u>826,429</u></u>
 <b>Percentage of Aggregate Indebtedness to Net Capital</b>	<u><u>86 %</u></u>
 <b>Excess Net Capital at 1000%</b>	\$ <u><u>801,414</u></u>
 <b>Reconciliation with Company's Computation (included in Part II of Form X-17A-5 as of December 31, 2006)</b>	
Net capital as reported in Company's Part II (unaudited) FOCUS Report	\$ 936,550
Audit adjustment to cash	53,701
Audit adjustment to accounts receivable	22,995
Audit adjustment to payables	( <u>136,787</u> )
Net capital per above	\$ <u><u>876,459</u></u>

**FAULKNER AND THOMPSON, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS**

ROBERT E. FAULKNER  
T. DALE THOMPSON  
D. KYLE TILLMAN

CERTIFIED IN S.C. AND N.C.

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CHARLOTTE, NORTH CAROLINA 28277  
TELEPHONE: 704-541-6180  
FACSIMILE: 704-846-3103

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

The Manager and Members  
Synergy Investment Group, LLC

In planning and performing our audit of the financial statements and supplemental schedule of Synergy Investment Group, LLC (the *Company*), for the year ended December 31, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (*SEC*), we have 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 criteria stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. 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:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. 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.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3.

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 the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the effectiveness of its design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a 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 entity's internal control.

Our consideration of internal control was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that meet the criteria 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 at December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the managing member, management, the SEC, the NASD and other regulatory agencies that rely on Rule 17a-5(g) under the Securities 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.

*Faulkner and Thompson, P.A.*

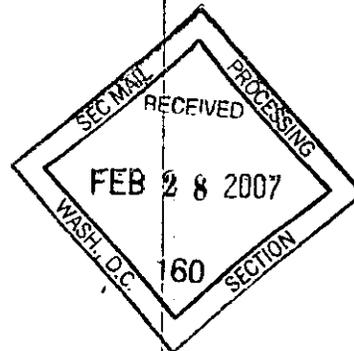
February 26, 2007

**SYNERGY INVESTMENT GROUP, LLC**

**(A Limited Liability Company)**

**REPORT ON AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**As of and for the year ended December 31, 2006**



*END*