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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

SEC FILE NUMBER
8-66388

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 01/01/2006 AND ENDING 12/31/2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Tradewinds Financial Group Inc

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1355 Terrell Mill Road Building 1476, Suite 100  
(No. and Street)

Marietta GA 30067  
(City) (State) (Zip Code)

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

R. William Lee, III 770-850-1202  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Randall C. Brown & Associates, P.C.  
338 Paces Center (Name - if individual, state last, first, middle name)

455 East Paces Ferry Rd., NE Atlanta GA 30305  
(Address) (City) (State) (Zip Code)

**PROCESSED**

CHECK ONE:

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

**MAR 19 2007**

**THOMSON  
FINANCIAL**

<b>FOR OFFICIAL USE ONLY</b>

\*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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OATH OR AFFIRMATION

I, R. William Lee, III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Tradewinds Financial Group Incorporated, as of February 27<sup>th</sup>, 2007, 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 solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

R. William Lee III

Signature

PRESIDENT

Title

Caroline C. Bell

Notary Public

My commission expires Nov 16, 2007

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 240.17a-5(e)(3).

Tradewinds Financial Group Incorporated  
(A Company in the Development Stage)

Statement of Financial Condition

December 31, 2006

**Assets**

Cash and cash equivalents	\$ 61,939
Accounts receivable from mutual funds	1,365
Other current assets	1,394
Secured demand note receivable	<u>250,000</u>
	<u>\$ 314,698</u>

**Liabilities and Shareholders' Equity**

Accounts payable	\$ 6,321
Accrued expenses for customers	14,821
Other liabilities	14,298
Subordinated note payable	50,000
Secured demand note payable to shareholder	250,000
Accrued interest payable to shareholder	5,417
Shareholders' equity	
Common stock	1,000
Additional paid-in capital	472,901
Deficit accumulated during the development stage	<u>(500,060)</u>
Total shareholders' equity	<u>(26,159)</u>
	<u>\$ 314,698</u>

*See accompanying notes.*

Tradewinds Financial Group Incorporated  
(A Company in the Development Stage)

Notes to Financial Statements

December 31, 2006

**1. Summary of Significant Accounting Policies**

**Description of Business**

Tradewinds Financial Group Incorporated (the "Company"), incorporated on September 16, 2003, is a registered broker-dealer under the *Securities Exchange Act of 1934*. In addition, the Company is a member of the National Association of Securities Dealers, Inc. ("NASD") and the Securities Investors Protection Corporation ("SIPC").

The Company provides research and execution services to various institutional investors. All securities transactions are cleared on a fully-disclosed basis through a member of the New York Stock Exchange.

**Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those reported estimates.

**Revenue Recognition**

The Company recognizes revenue when commissions are earned from trades which were placed.

**Accounting for Securities Transactions**

Securities transactions are recorded for internal accounting purposes on a settlement-date basis which is generally the third business day following the transaction date. In accordance with accounting principles generally accepted in the United States, however, a year-end adjustment is made to give effect to trade-date accounting.

Tradewinds Financial Group Incorporated  
(A Company in the Development Stage)

Notes to Financial Statements (continued)

December 31, 2006

**Summary of Significant Accounting Policies (continued)**

**Income Taxes**

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an *S Corporation*. In lieu of corporate income taxes, the shareholders of an *S Corporation* are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

**Fair Value of Financial Instruments**

The carrying amounts reflected on the balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate their respective fair values based on the short-term nature of these instruments.

**2. Lease Commitments**

The Company leases its office premises under a non-cancelable lease agreement which expires April 30, 2009. Total rental expense under this lease for the year ended December 31, 2006 was \$42,000. The Company also leases equipment under various operating leases. Total rental expense for equipment under these leases for the year ended December 31, 2006 was \$3,018.

Future minimum annual rental requirements under all leases are as follows for the years ending December 31:

<u>Year</u>	
2007	\$42,000
2008	42,000
2009	<u>14,000</u>
Total	<u>\$ 98,000</u>

**3. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1) which requires that the ratio of aggregate indebtedness to net capital, both as defined in the Rule, shall not exceed fifteen to one and shall at all times have and maintain net capital of not less than \$250,000. Net capital and the related aggregate indebtedness to net capital ratio fluctuate on a daily basis; however, the aggregate indebtedness to net capital ratio at December 31, 2006 was 13%, and the net capital was \$273,841.

Tradewinds Financial Group Incorporated  
(A Company in the Development Stage)

Notes to Financial Statements (continued)

December 31, 2006

**4. Clearing Agreements**

The Company has a fully-disclosed clearing agreement with ADP Clearing & Outsourcing Services, Inc. The initial term of this agreement is for three years, after which it renews annually unless terminated by either party with 60 days written notification.

**5. Related Party Transactions**

The Company has a fully-disclosed subordinated loan agreement with a forty-five percent (45%) shareholder of the Company. The loan carries an annual interest rate of five percent. The original principal of \$50,000 and accrued interest are payable October 31, 2007.

During 2005 this same shareholder also advanced the Company \$25,000 on an open-ended interest-free loan, which was converted to additional paid-in capital during 2006.

The Company leases its office space and certain furniture and equipment from a company which is owned by two of the shareholders of the Company as more fully described in Note 2. Both lease agreements contain options to renew.

**6. Secured Demand Note**

The Company's election to be a \$250,000 minimum net capital broker-dealer has been accomplished via a non-interest-bearing secured demand note in the amount of \$250,000 which is collateralized by funds pledged by the 45% shareholder of the Company.

END