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

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SECTION

SEC FILE NUMBER  
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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 January 1, 2006 AND ENDING December 31, 2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Gerwin Group, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

23363 Park Capri, Suite 105

(No. and Street)

Calabasas

California

91302

(State)

(Zip Code)

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

Christopher Gerwin (818) 225-0100

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Breard Associates, Inc. Certified Public Accountants

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

9221 Corbin Avenue, Suite 170

Northridge

California

91324

(Address)

(City)

(State)

(Zip Code)

PROCESSED

CHECK ONE:

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

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THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*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).

SEC 1410 (3-91)

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Handwritten signature

OATH OR AFFIRMATION

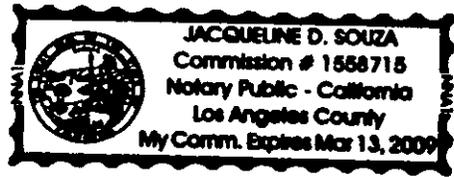
I, Christopher Gerwin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Gerwin Group, Inc., as of December 31, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

State of California  
County of Los Angeles  
Subscribed and sworn (or affirmed) to before me this 8th day of February, 2007

*[Signature]*  
\_\_\_\_\_  
Signature  
*[Title]*  
\_\_\_\_\_  
Title

*[Signature]*  
\_\_\_\_\_  
Notary Public



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~~ Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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).

**Gerwin Group, Inc.**  
**Report Pursuant to Rule 17a-5 (d)**  
**Financial Statements**  
**For the Year Ended December 31, 2006**

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Independent Auditor's Report

Board of Directors  
Gerwin Group, Inc.:

We have audited the accompanying statement of financial condition of Gerwin Group, Inc. (the Company) as of December 31, 2006, and the related statements of income, changes in stockholder's 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 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 Gerwin Group, 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 in Schedules I, II, and III 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 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.



Breard & Associates, Inc.  
Certified Public Accountants

Northridge, California  
February 9, 2007

*We Focus & Care<sup>SM</sup>*

**Gerwin Group, Inc.**  
**Statement of Financial Condition**  
**December 31, 2006**

**Assets**

Cash and cash equivalents	\$ 13,669
Concessions receivable	56,195
Loans to officers	<u>7,012</u>
<b>Total assets</b>	<b><u>\$ 76,876</u></b>

**Liabilities and Stockholder's Equity**

**Liabilities**

Accounts payable and accrued expenses	\$ 2,046
Commissions payable	36,601
Income taxes payable	<u>800</u>
<b>Total liabilities</b>	<b>39,447</b>

**Stockholder's equity**

Common stock, \$1 par value, 10,000 shares authorized, issued, and outstanding	10,000
Additional paid-in capital	64,435
Accumulated deficit	<u>(37,006)</u>
<b>Total stockholder's equity</b>	<b><u>37,429</u></b>
<b>Total liabilities and stockholder's equity</b>	<b><u>\$ 76,876</u></b>

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

**Gerwin Group, Inc.**  
**Statement of Income**  
**For the Year Ended December 31, 2006**

**Revenue**

Insurance income	\$ 385,098
Commissions	10,633
Interest and dividend income	<u>103</u>
<b>Total revenue</b>	<b>395,834</b>

**Expenses**

Employee compensation and benefits	261,903
Occupancy expense	14,605
Communications	5,906
Management fees	1,500
Taxes, other than income taxes	19,659
Other operating expenses	<u>75,770</u>
<b>Total expenses</b>	<b><u>379,343</u></b>

**Net income (loss) before income tax provision** 16,429

**Income tax provision** 800

**Net income (loss)** \$ 15,691

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

**Gerwin Group, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended December 31, 2006**

	<u>Common Stock</u>	<u>Additional Paid - in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
Balance at December 31, 2005	\$ 10,000	\$ 60,935	\$ (52,697)	\$ 18,238
Issuance of additional paid-in capital	-	3,500	-	3,500
Distributions	-	-	-	-
Net income (loss)	<u>-</u>	<u>-</u>	<u>15,691</u>	<u>37429</u>
Balance at December 31, 2006	<u>\$ 10,000</u>	<u>\$ 38093</u>	<u>\$ (37,006)</u>	<u>\$ 34,429</u>

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

**Gerwin Group, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2006**

<b>Cash flows from operating activities:</b>		
Net income (loss)		\$ 15,691
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for loss on accounts receivable	\$ 4,300	
(Increase) decrease in:		
Concessions receivable	(50,781)	
(Decrease) increase in:		
Accounts payable	(204)	
Commissions payable	36,601	
Income taxes payable	<u>(1,601)</u>	
Total adjustments		<u>(11,685)</u>
<b>Net cash provided by (used in) operating activities</b>		<b>4,006</b>
<b>Cash flows from investing activities:</b>		-
<b>Cash flows from financing activities:</b>		
Distributions	<u>3,500</u>	
<b>Net cash provided by (used in) financing activities</b>		<b><u>3,500</u></b>
<b>Net increase (decrease) in cash</b>		<b>7,506</b>
<b>Cash at beginning of year</b>		<b><u>6,163</u></b>
<b>Cash at end of year</b>		<b><u><u>\$ 13,669</u></u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for		
Income taxes	\$ 800	
Interest	\$ -	

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

**Gerwin Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

Gerwin Group, Inc. (the "Company") was formed as a California corporation on August 22, 1988, under the name Gerwin Stinziano Securities, Inc., to engage in business as a broker/dealer for direct participation programs ("DPP"). On December 6, 2000 the Company changed its name to Gerwin Group, Inc. The Company is a fully disclosed broker/dealer whereby it does not hold customer funds or securities. The Company is a member of the National Association of Securities Dealers, Inc. ("NASD") and the Securities Investor Protection Corporation ("SIPC").

The Company primarily sells mutual funds, fixed and variable annuities and life insurance. The Company has about 1,000 clients with no one client contributing an undue concentration of risk. The majority of the clients are in California, but there are some in Arizona, Illinois, Michigan and Ohio.

*Summary of Significant Accounting Policies*

The presentation 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

For the purpose of the statement of cash flows, cash and cash equivalents are defined as demand deposits at banks and cash deposits in money market funds.

Securities transactions are recorded on a trade date basis with related commission income and expenses also recorded on a trade date basis.

Advertising costs are expensed as incurred. For the year ended December 31, 2006, the company incurred selling costs of \$6,298.

**Note 2: INCOME TAXES**

For the year ended December 31, 2006 the Company recorded the minimum California Franchise Tax of \$800.

**Gerwin Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 2: INCOME TAXES**  
**(Continued)**

The Company has available at December 31, 2006, unused operating loss carry-forwards, which may be applied against future taxable income, resulting in a deferred tax asset of approximately \$5,108, that expires as follows:

Amount of unused operating loss carry-forwards	Expiration during year ended December 31,
\$ 18,486	2016
8,407	2018
3,197	2019
14,415	2023
<u>8,912</u>	2024
<u>\$ 53,417</u>	

A 100% valuation allowance has been established against this asset since management cannot determine if it is more likely than not that the asset will be realized.

**Note 3: RELATED PARTY TRANSACTIONS**

The Company shares facilities and staff with Syndicapital, Inc., a company wholly owned by the sole stockholder of Gerwin Group, Inc. These company's are party to a management agreement whereby Syndicapital, Inc. provides office space, furniture and equipment, management services, and pays certain operating expenses on behalf of the Company. The agreement between the two companies is verbal and there is no lease/sublease for the space occupied by the Company. The Company is charged a management fee by Syndicapital, Inc. per this agreement. For the year ended December 31, 2006, the Company paid Syndicapital, Inc. \$1,500 for management fees. No amounts were due under this agreement as of December 31, 2006.

**Note 4: RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon

**Gerwin Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 4: RECENTLY ISSUED ACCOUNTING STANDARDS**  
**(Continued)**

examination based on the technical merits of the position. The second step is measurement of any tax position that meets the more-likely-than-not recognition threshold to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on the de-recognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and new disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its financial position and results of operations. However, the impact is not expected to be material.

In September 2006, the FASB issued Statement of Accounting Financial Standards (“SFAS”) No. 157, “Fair Value Measurements” (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 157 is not expected to have a material effect on the Company’s financial statements.

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements Nos. 87, 106, and 132(R)” (“SFAS 158”). SFAS 158 requires companies to recognize on a prospective basis the funded status of their defined benefit pension and postretirement plans as an asset or liability and to recognize changes in that funded status in the year in which the changes occur as a component of other comprehensive income, net of tax. The effective date of the pronouncement is a function of whether the Company’s equity securities are traded publicly. If the entity has publicly traded securities, the effective date is for fiscal years ending after December 15, 2006. Entities without publicly traded securities must adopt the standard for fiscal years ending after June 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 158 is not expected to have a material effect on the Company’s financial statements.

**Note 5: CONCENTRATIONS OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company’s policy to review, as necessary, the credit standing of each counterparty.

**Gerwin Group, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

**Note 6: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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. Net capital and aggregate indebtedness change day to day, but on December 31, 2006, the Company had net capital of \$10,823, which was \$5,823 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$39,447) to net capital was 3.64 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

**Note 7: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is a \$3,354 difference between the computation of net capital under net capital Sec. Rule 15c3-1 and the corresponding unaudited focus part IIA.

Net capital per unaudited schedule		\$ 14,303
Adjustments:		
Accumulated deficit	\$ 7,874	
Non-allowable assets	(11,354)	
Haircuts	<u>126</u>	
	Total adjustments	<u>(3,354)</u>
	Net capital per audited statements	<u>\$ 10,823</u>

**Gerwin Group, Inc.**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of December 31, 2006**

**Computation of net capital**

**Stockholder's equity**

Common stock	\$ 10,000	
Additional paid-in capital	64,435	
Retained earnings	<u>(37,006)</u>	
<b>Total stockholder's equity</b>		<b>\$ 37,429</b>
Less: Non-allowable assets		
Concessions receivable	(19,594)	
Loans to officers	<u>(7,012)</u>	
Total adjustments		<u>(26,606)</u>
<b>Net capital (deficiency)</b>		<b>10,823</b>

**Computation of net capital requirements**

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 2,630	
Minimum dollar net capital required	\$ 5,000	
Net capital required (greater of above)		<u>5,000</u>
<b>Excess (deficient) net capital</b>		<b><u>\$ 5,823</u></b>
Ratio of aggregate indebtedness to net capital	3.64: 1	

There was a \$3,354 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2006. (See Note: 7)

*See independent auditor's report.*

**Gerwin Group, Inc.**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of December 31, 2006**

A computation of reserve requirements is not applicable to Gerwin Group, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

*See independent auditor's report.*

**Gerwin Group, Inc.**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Pursuant to Rule 15c3-3**  
**As of December 31, 2006**

Information relating to possession or control requirements is not applicable to Gerwin Group, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

*See independent auditor's report.*

**Gerwin Group, Inc.**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended December 31, 2006**

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Board of Directors  
Gerwin Group, Inc.:

In planning and performing our audit of the financial statements of Gerwin Group, Inc. (the Company), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included 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 (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

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 judgements 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 conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and 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 may become inadequate because of changes in conditions or that the effectiveness of their 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 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 that inconsequential will not be prevented or detected by the entity's internal control.

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 entity's internal control.

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

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, as described in the second paragraph of this report, were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, National Association of Securities Dealers, Inc., 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.



Breard & Associates, Inc.  
Certified Public Accountants

Northridge, California  
February 9, 2007