



UNITED STATES 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 00719

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

NATEXIS BLEICHROEDER INC.

OFFICIAL USE ONLY FIRM ID. NO.

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

1345 AVENUE OF THE AMERICAS

(No. and Street)

NEW YORK

(City)

NEW YORK

(State)

10105-4300

(Zip Code)

PROCESSED

MAR 23 2007 THOMSON FINANCIAL

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

HOWARD GREEN

212-698-3322

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

JOEL E. SAMMET & CO., LLP

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

60 BROAD STREET

(Address)

NEW YORK

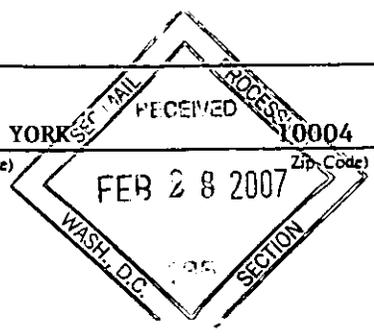
(City)

NEW YORK

(State)

10004

(Zip Code)



CHECK ONE:

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

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).

Handwritten signature

OATH OR AFFIRMATION

I, Howard Green, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NATEXIS BLEICHROEDER 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:

2/27/07 Belinda Coit
BELINDA COIT
Notary Public, State of New York
No. 01CO6100935
Qualified in Kings County
Commission Expires Nov. 3, 20__

Notary Public

Howard Green

Signature

Executive Vice President -CFO

Title

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 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).



JOEL E. SAMMET, CPA (1925-1968)
DAVID R. SAFER, CPA (RETIRED)
BERNARD TURNER, CPA
JEROME S. GRUBIN, CPA
FRANKLIN M. JACOBSON, CPA
STEVEN A. SOKOL, CPA

**The Board of Directors
Natexis Bleichroeder Inc.**

In planning and performing our audit of the financial statements of Natexis Bleichroeder Inc., for the period January 1, 2006 to 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 the 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 compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
3. 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
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining an 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 conformity with generally accepted accounting principles.

Continued

NATEXIS BLEICHROEDER INC.
FOCUS REPORT - FORM X-17A-5
PART I
DECEMBER 31, 2006

FOCUS

JOEL E. SAMMET & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

FORM
X-17A-5

FOCUS REPORT
(FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT)
PART II 11

(Please read instructions before preparing Form)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) 16

2) Rule 17a-5(b) 17

3) Rule 17a-11 18

4) Special request by designated examining authority 19

5) Other 26

NAME OF BROKER-DEALER

NATEXIS BLEICHROEDER INC. 13

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

1345 Avenue of the Americas 20

(No. and Street)

New York 21

(City)

NY 22

(State)

10105 4300 23

(Zip Code)

SEC. FILE NO.

8-00719 14

FIRM ID NO.

134197937 15

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/06 24

AND ENDING (MM/DD/YY)

12/31/06 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT (Area code) - Telephone No.

Howard Green 30

(212)698-3322 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT

OFFICIAL USE

32

33

34

35

36

37

38

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS ? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 16th day of February 20 07

Manual Signatures of:

1) _____
Principal Executive Officer or Managing Partner

2) _____
Principal Financial Officer or Partner

3) _____
Principal Operations Officer or Partner

ATTENTION - Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f (a))

NYSE

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

JOEL E. SAMMET & CO., LLP

70

ADDRESS Number and Street City State Zip Code

60 BROAD STREET

NEW YORK

NEW YORK

10004

71

72

73

74

Check One

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States or any of its possessions

77

FOR SEC USE

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DO NOT WRITE UNDER THIS LINE ... FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				



JOEL E. SAMMET, CPA (1925-1968)
DAVID R. SAFER, CPA (RETIRED)
BERNARD TURNER, CPA
JEROME S. GRUBIN, CPA
FRANKLIN M. JACOBSON, CPA
STEVEN A. SOKOL, CPA

INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
Natexis Bleichroeder Inc.**

We have audited the accompanying financial condition of Natexis Bleichroeder Inc., for the period January 1, 2006 to December 31, 2006, and the related statements of income, changes in stockholders' 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 Natexis Bleichroeder Inc. for the period January 1, 2006 to December 31, 2006, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Joel E. Sammet Co., LLP

**New York, New York
February 12, 2007**

FOCUS

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER

as of 12/31/06

NATEXIS BLEICHROEDER INC.

STATEMENT OF FINANCIAL CONDITION

ASSETS (continued)

Allowable

Nonallowable

Total

E. Stocks and warrants	\$	23,955,050	410			
F. Options		28,500	420			
G. Arbitrage		1,202,743	422			
H. Other securities			424			
I. Spot Commodities			430			
J. Total inventory - includes encumbered securities of ... \$					\$	29,286,293 850
8. Securities owned not readily marketable:						
A. At Cost	\$	17,744,389	130	\$	19,855,492	610 860
9. Other investments not readily marketable:						
A. At Cost	\$		140			
B. At estimated fair value			450		620	870
10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:						
A. Exempted securities	\$		150			
B. Other	\$		160		630	880
11. Secured demand notes - market value of collateral:						
A. Exempted securities	\$		170			
B. Other	\$		180		640	890
12. Memberships in exchanges:						
A. Owned, at market value	\$		190			
B. Owned at cost					650	
C. Contributed for use of company, at market value					660	900
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships			480		670	910
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements:						
At cost (net of accumulated depreciation and amortization)			490		3,714,511	680 3,714,511 920
15. Other Assets:						
A. Dividends and interest receivable		1,315,891	500		42,361	690
B. Free shipments			510		376,903	700
C. Loans and advances			520			710
D. Miscellaneous		5,111,385	530		30,763,768	720
E. Collateral accepted under SFAS 140		150,642	536			
F. SPE Assets			537			37,760,950 930
16. TOTAL ASSETS	\$	5,378,563,899	540	\$	55,287,564	740 \$ 5,433,851,463 940

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER
NATEXIS BLEICHROEDER INC.

as of 12/31/06

**STATEMENT OF FINANCIAL CONDITION
LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>	<u>A.I. Liabilities * _____</u>	<u>Non-A.I. Liabilities * _____</u>	<u>Total _____</u>
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements"	\$ 1030	\$ 1240	\$ 7,214,490
B. Other	1040	1250	88,960,000
18. Securities sold under repurchase agreements.		1260	3,276,250,000
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements"	1050	1270	5,877,151
2. Other	1060	1280	8,146,018
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements"	1070		54,030,700
2. Other	1080	1290	1,416,502,390
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	1090		1530
2. Other	1095	1300	1540
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	1100		448,816
2. Other	1105	1310	1560
E. Other	1110	1320	17,236,039
20. Payable to customers:			
A. Securities accounts - including free credits of	\$ 5,023,840	1120	244,227,197
B. Commodities accounts	1130	1330	1590
21. Payable to non customers:			
A. Securities accounts	1140	1340	1,636
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value - including arbitrage of	\$ 1,352,536	1360	22,569,921
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable	1160		1630
B. Accounts payable	1170		21,173,934
C. Income taxes payable	1180		457,400
D. Deferred income taxes		1370	1660
E. Accrued expenses and other liabilities ..	1190		33,339,658
F. Other	1200	1380	1680
G. Obligation to return securities		1386	150,642
H. SPE Liabilities		1387	1687

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER

as of 12/31/06

NATEXIS BLEICHROEDER INC.

**STATEMENT OF FINANCIAL CONDITION
LIABILITIES AND OWNERSHIP EQUITY (continued)**

	<u>Liabilities</u>	<u>A.I. Liabilities</u> *	<u>Non-A.I. Liabilities</u> *	<u>Total</u>
24. Notes and mortgages payable:				
A. Unsecured	\$	<u>1210</u>		\$ <u>1690</u>
B. Secured		<u>1211</u>	\$ <u>1390</u>	<u>1700</u>
25. Liabilities subordinated to claims of general creditors:				
A. Cash borrowings:			<u>1400</u>	<u>100,000,000</u> <u>1710</u>
1. from outsiders \$ <u>100,000,000</u> <u>0970</u>				
2. Includes equity subordination(15c3-1(d)) of	\$			<u>0980</u>
B. Securities borrowings, at market value:			<u>1410</u>	<u>1720</u>
from outsiders \$ <u>0990</u>				
C. Pursuant to secured demand note collateral agreements:			<u>1420</u>	<u>1730</u>
1. from outsiders \$ <u>1000</u>				
2. Includes equity subordination(15c3-1(d)) of	\$			<u>1010</u>
D. Exchange memberships contributed for use of company, at market value			<u>1430</u>	<u>1740</u>
E. Accounts and other borrowings not qualified for net capital purposes		<u>1220</u>	<u>1440</u>	<u>1750</u>
26. TOTAL LIABILITIES	\$	<u>1230</u>	\$ <u>1450</u>	\$ <u>5,296,585,992</u> <u>1760</u>
<u>Ownership Equity</u>				
27. Sole proprietorship				\$ <u>1770</u>
28. Partnership - limited partners	\$			<u>1020</u> <u>1780</u>
29. Corporation:				<u>1791</u>
A. Preferred stock				<u>1</u> <u>1792</u>
B. Common stock			<u>151,503,082</u>	<u>1793</u>
C. Additional paid-in capital			<u>(14,237,612)</u>	<u>1794</u>
D. Retained Earnings			<u>137,265,471</u>	<u>1795</u>
E. Total				<u>1796</u>
F. Less capital stock in treasury				<u>1800</u>
30. TOTAL OWNERSHIP EQUITY				\$ <u>137,265,471</u> <u>1800</u>
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY				\$ <u>5,433,851,463</u> <u>1810</u>

OMIT PENNIES

* Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER
NATEXIS BLEICHROEDER INC.

as of 12/31/06

COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition - Item 1800)	\$	137,265,471	3480
2. Deduct: Ownership equity not allowable for Net Capital	(3490
3. Total ownership equity qualified for Net Capital		137,265,471	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		100,000,000	3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	237,265,471	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C)	\$	55,287,564	3540
1. Additional charges for customers' and non-customers' security accounts			3550
2. Additional charges for customers' and non-customers' commodity accounts			3560
B. Aged fail-to-deliver:		1,159,396	3570
1. number of items		282	3450
C. Aged short security differences-less reserve of	\$	3460	3580
number of items		3470	
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities - proprietary capital charges			3600
F. Other deductions and/or charges		5,514,535	3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)			3615
H. Total deductions and/or charges	(61,961,495	3620
7. Other additions and/or allowable credits (List)			3630
8. Net Capital before haircuts on securities positions	\$	175,303,976	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper			3680
2. U.S. and Canadian government obligations			3690
3. State and municipal government obligations			3700
4. Corporate obligations			3710
5. Stocks and warrants		6,952,522	3720
6. Options		14,250	3730
7. Arbitrage		98,261	3732
8. Other securities			3734
D. Undue concentration			3650
E. Other (List)		5,488,293	3736
10. Net Capital	\$	162,750,650	3750

OMIT PENNIES

NATEXIS BLEICHROEDER INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

Natexis Bleichroeder Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission and is a member of the New York Stock Exchange and various other exchanges and the National Association of Securities Dealers. The Company is a New York Corporation that is a wholly owned subsidiary of Natixis (the "Parent"), a French banking organization.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions and investment banking businesses.

Securities Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all security transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' security transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

Resale and Repurchase Agreements and Securities Lending Agreements

Transactions involving purchases of securities under agreements to resell (reverse repurchase agreements or reverse repos) or sales of securities under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized financing except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. It is the policy of the Company to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

FOCUS

NATEXIS BLEICHROEDER INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities Lending Activities

Securities borrowed and securities loaned transactions are generally reported as collateralized financing except where letters of credit or other securities are used as collateral. Securities-borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Collateral

The Company continues to report assets it has pledged as collateral in secured borrowing and other arrangements when the secured party cannot sell or repledge the assets or the Company can substitute collateral or otherwise redeem it on short notice. The Company generally does not report assets received as collateral in secured lending and other arrangements because the debtor typically has the right to redeem the collateral on short notice.

Investment Banking

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking management fees are recorded on offering date, sales concessions on trade date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

Commissions

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

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange. Gains or losses resulting from foreign currency transactions are included in net income.

**NATEXIS BLEICHROEDER INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates.

Depreciation

Depreciation is provided for by accelerated and straight-line methods using estimated useful lives of three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

Use of Estimates

The preparation of the 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 and the disclosure of contingencies in the financial statements. Actual results could differ from the estimates included in the financial statements.

NOTE 3 CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

No cash and/or securities has been segregated in a special reserve account for the exclusive benefit of customers at December 31, 2006 under rule 15c3-3 of the Securities and Exchange Commission.

NOTE 4 RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATION

Amounts receivable from and payable to broker-dealers and clearing organization at December 31, 2006, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Deposits for securities borrowed/ loaned	\$1,709,238,297	\$1,470,533,090
Securities failed-to-deliver/receive	20,059,047	14,023,169
Payable to clearing organization	0	448,816
Receivable from clearing organization	4,465,739	0
Other	<u>0</u>	<u>17,236,039</u>
	<u>\$1,733,763,083</u>	<u>\$1,502,241,114</u>

FOCUS

**NATEXIS BLEICHROEDER INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 5 RECEIVABLE FROM AND PAYABLE TO CUSTOMERS

Accounts receivable from and payable to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables. Such collateral is not reflected in the financial statements.

NOTE 6 LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The Company has a subordinated loan agreement with the Parent of \$100,000,000, which bears interest based on the federal funds rate, and has a maturity of December 28, 2007. The subordinated borrowing is extended pursuant to an agreement approved by various regulatory agencies and qualifies as capital in computing net capital under the SEC's Uniform Net Capital Rule 15c3-1.

NOTE 7 RELATED PARTY TRANSACTIONS

In the normal course of business, the Company has borrowed funds from the Parent. These loans are unsecured and based on the federal funds rate. At December 31, 2006, the balance of the loan amounted to \$88,960,000. Interest expense charged by the Parent to the Company for the year amounted to \$7,310,159 and is included in net income.

NOTE 8 EMPLOYEE BENEFIT PLANS

The Company has a qualified 401(k) plan for employees. The Company is not required to make any matching or mandatory contribution to the Plan. Contributions are made at the discretion of management.

The Company does not participate in any pension and/or post retirement plans for its employees.

NOTE 9 FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The financial instruments of the Company are reported in the statement of financial condition at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments.

Continued

FOCUS

NATEXIS BLEICHROEDER INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 9 FINANCIAL INSTRUMENTS (continued)

Financial Instruments With Off-Balance-Sheet Risk

The Company enters into various transactions involving futures, forwards and foreign exchange contracts and other transactions which, in accordance with industry practice, were not recorded on the statement of financial condition. At December 31, 2006, the Company had commitments to enter into future resale and repurchase agreements. At December 31, 2006, the Company had also borrowed securities and pledged securities against those borrowed securities.

In addition, the Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the financial statements at December 31, 2006, at market values of the related securities and will incur a loss if the market value of the securities increases subsequent to December 31, 2006.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transaction may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

Continued

NATEXIS BLEICHROEDER INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 FINANCIAL INSTRUMENTS (continued)

Financial Instruments With Off-Balance-Sheet Risk (continued)

The Company's customer financing and securities settlement activities require the Company to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes credit limits for such activities and monitors compliance on a daily basis.

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.

In connection with these activities, particularly in United States Government and Agency securities, the Company enters into collateralized reverse repurchase and repurchase agreements, securities lending arrangements and certain other secured transactions which may result in significant credit exposure in the event the counterparty to the transaction was unable to fulfill their contractual obligations. In accordance with industry practice, repurchase agreements and security borrowing arrangements are generally collateralized by cash or securities with a market value in excess of the Company's obligation under the contract. The Company attempts to minimize credit risk associated with these activities by monitoring customer credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Company when deemed necessary.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Leases

The Company occupies office space under a lease expiring April 29, 2011. The minimum aggregate rent per annum was \$3,235,291 until April 30, 2006, and \$3,545,259 for the remaining term of the lease. The lease contains escalation provisions for increases of real estate tax and operating expenses.

Continued

**NATEXIS BLEICHROEDER INC.
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NOTE 10 COMMITMENTS AND CONTINGENCIES (continued)

Litigation

In the normal course of business, the Company has been named as a defendant in several lawsuits. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management, after consultation with counsel, that the resolution of such suits will not have a material adverse effect on the financial condition of the Company.

NOTE 11 NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$1,500,000 or 2 percent of aggregate debit balances arising from customer transactions, as defined. (The net capital rule of the New York Stock Exchange, Inc. also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5 percent of aggregate debits.) At December 31, 2006, the Company had net capital of \$162,750,650, which was 34.85 percent of aggregate debit balances and \$153,410,205 in excess of required net capital.

NOTE 12 INCOME TAXES

At December 31, 2006, the Company had net operating loss carryforwards which resulted in deferred federal income taxes refundable of \$7,667,751 and deferred state and city income taxes refundable of \$4,420,143.

END