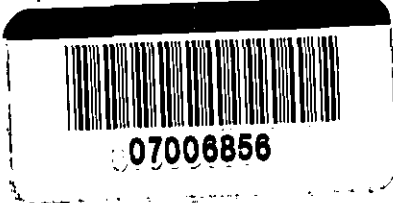


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2007  
Estimated average burden  
hours per response..... 12.00

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

SEC FILE NUMBER  
8-65827

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: Financial Paradigms, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1001 West Loop South, Suite 800

(No. and Street)

Houston  
(City)

TX  
(State)

77027  
(Zip Code)

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

John Goott 713-622-9111

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Harper & Pearson Company

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

One Riverway, Suite 1000  
(Address)

Houston  
(City)

TX  
(State)

77056  
(Zip Code)

CHECK ONE:

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

PROCESSED  
APR 17 2007  
THOMSON  
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RECEIVED  
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SECTION 199  
WASH. D.C.

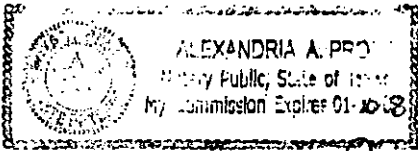
FOR OFFICIAL USE ONLY

\*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)

OATH OR AFFIRMATION

I, John Göott, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Financial Paradigms, 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:

N/A



John Göott  
Signature

President

Title

Alexandria A. Pro 2/21/07  
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.
- (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).

FINANCIAL PARADIGMS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Financial Paradigms, Inc.  
Houston, Texas

We have audited the accompanying balance sheets of Financial Paradigms, Inc. (an S corporation) as of December 31, 2006 and 2005, and the related statements of income, changes in stockholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audits 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 audits provide 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 Financial Paradigms, Inc. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

Our audits were made 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 and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

*Harper & Pearson Company, P.C.*

Houston, Texas  
February 2, 2007

**FINANCIAL PARADIGMS, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2006 AND 2005**

<b>ASSETS</b>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 21,959	\$ 20,256
Accounts receivable	<u>1,615</u>	<u>24</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 23,574</u></b>	<b><u>\$ 20,280</u></b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Accounts payable	<u>\$ 15</u>	<u>\$ 503</u>
Stockholder's Equity:		
Common stock, \$1 par value, 1,000,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Additional Paid-in Capital	19,500	19,500
Retained Earnings (Deficit)	<u>3,059</u>	<u>(723)</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b><u>23,559</u></b>	<b><u>19,777</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 23,574</u></b>	<b><u>\$ 20,280</u></b>

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

**FINANCIAL PARADIGMS, INC.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Commission income and other income	\$ 22,036	\$ 21,898
Management and administrative expenses	<u>18,254</u>	<u>16,296</u>
Net income	<u>\$ 3,782</u>	<u>\$ 5,602</u>

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

**FINANCIAL PARADIGMS, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>
Balance, December 31, 2004	\$ 1,000	\$ 19,500	\$ (6,325)
Net income	-	-	5,602
Balance, December 31, 2005	1,000	19,500	(723)
Net income	-	-	3,782
Balance, December 31, 2006	<u>\$ 1,000</u>	<u>\$ 19,500</u>	<u>\$ 3,059</u>

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



**FINANCIAL PARADIGMS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 20,445	\$ 22,104
Cash paid for management and administrative expenses	<u>(18,742)</u>	<u>(16,229)</u>
Net cash provided by operating activities	<u>1,703</u>	<u>5,875</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,703	5,875
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>20,256</u>	<u>14,381</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 21,959</u>	<u>\$ 20,256</u>
 <b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net income	\$ 3,782	\$ 5,602
(Increase) decrease in accounts receivable	(1,591)	206
(Decrease) increase in accounts payable	<u>(488)</u>	<u>67</u>
Net cash provided by operating activities	<u>\$ 1,703</u>	<u>\$ 5,875</u>

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

**NOTE A           BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accounting principles followed by the Company and the methods of applying those principles which materially affect the determination of financial position, results of operations and cash flows are summarized below:

Description of Business – Financial Paradigms, Inc. (an S corporation) ("the Company") is located in Houston, Texas and is a limited business broker dealer that transacts in mutual funds and variable life annuities only. Consequently, the Company has claimed an exemption from Rule 15c3-3 under section (K)(1). The Company is registered as a Broker-Dealer with the Securities and Exchange Commission, and a member of the National Association of Securities Dealers, Inc. (NASD). Its principal market is the general public in the Southeastern region of Texas.

Statement Presentation – An unclassified balance sheet is presented in accordance with industry standards.

Revenue Recognition – Commissions are recognized when trades settle and receivable are recorded at that time. Revenues are primarily generated from commissions on sales of mutual funds and variable insurance products.

Income Taxes – No provision has been made for federal income tax, since these taxes are the responsibility of the individual shareholder.

Cash and Cash Equivalents – The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2006 and 2005.

Estimates - The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B           MANAGEMENT AGREEMENT**

The Company has entered into a management agreement with Investec Asset Management Group, Inc. (IAMG), a company related through common ownership, whereby IAMG will provide administrative and operational services, facilities, furniture and pay all overhead expenses of the Company.

IAMG will receive a reimbursement from the Company for its allocable share of personnel costs, rent, and general and administrative overhead costs. Expenses under this agreement during each of the years ended December 31, 2006 and 2005 were \$10,718.

**NOTE C**      **NET CAPITAL REQUIREMENTS**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

There were no material inadequacies found to exist in the computation of the ratio of aggregate indebtedness to net capital at December 31, 2006 and 2005 or in the procedures followed in making the required periodic computations. At December 31, 2006 and 2005 the Company had net capital of \$21,944 and \$19,777, respectively, and a net capital requirement of \$5,000 for each year. The Company's ratio of aggregate indebtedness to net capital was .0007 to 1 and .03 to 1 at December 31, 2006 and 2005, respectively. The Securities and Exchange Commission permits a ratio for the Company at this time of no greater than 15 to 1.

**NOTE D**      **CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which the counter parties primarily include mutual funds, banks, and insurance companies. In the event a counter party does not fulfill its obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counter party or issuer of the instrument. It is the Company's policy to review the credit standings of each counter party.

**FINANCIAL PARADIGMS, INC.**  
**SCHEDULE I**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2006**

<b>NET CAPITAL</b>	
Total stockholder's equity qualified for net capital	\$ 23,559
Total capital and allowable subordinated liabilities	23,559
Deductions and/or charges	
Nonallowable assets:	
Accounts receivable	(1,615)
	(1,615)
<b>NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITION</b>	<b>21,944</b>
Haircuts on securities	
Net capital	\$ 21,944
<b>COMPUTATION ON BASIC NET CAPITAL REQUIREMENTS</b>	
Minimum net capital required (12.5% of total aggregate indebtedness)	\$ 2
Minimum dollar net capital requirement	\$ 5,000
Net capital requirement (greater of above two minimum requirement amounts)	\$ 5,000
Excess net capital	\$ 16,944
 <b>NET CAPITAL, AS REPORTED IN COMPANY'S PART II</b>	
(Unaudited) FOCUS Report	\$ 23,559
 <b>RECONCILING ITEMS OR DIFFERENCES:</b>	
Non-allowable asset	(1,615)
<b>NET CAPITAL PER ABOVE</b>	<b>\$ 21,944</b>

See independent auditor's report.

**FINANCIAL PARADIGMS, INC.**  
**SCHEDULE II**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2005**

<b>NET CAPITAL</b>	
Total stockholder's equity qualified for net capital	<u>\$ 19,777</u>
Total capital and allowable subordinated liabilities	19,777
Deductions and/or charges	
Nonallowable assets:	
Accounts receivable	<u>-</u>
<b>NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITION</b>	<u>19,777</u>
Haircuts on securities	<u>-</u>
Net capital	<u>\$ 19,777</u>
<b>COMPUTATION ON BASIC NET CAPITAL REQUIREMENTS</b>	
Minimum net capital required (12.5% of total aggregate indebtedness)	<u>\$ 55</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 5,000</u>
Excess net capital	<u>\$ 14,777</u>

Note: The above computation does not differ materially from the computation of net capital under Rule 15c3-1 as of December 31, 2005, filed with the Securities and Exchange Commission by the Partnership on Part IIA of Form X-17a-5.

See independent auditor's report.

**FINANCIAL PARADIGMS, INC.**  
**SCHEDULE III**  
**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**AND INFORMATION RELATING TO POSSESSION OR CONTROL OF SECURITIES**  
**UNDER RULE 15C3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2006 AND 2005**

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Exemption Provisions

The Company has claimed an exemption from Rule 15c3-3 under Section (k)(1), in which the Company engages in limited business (mutual funds and/or variable annuities only).

See independent auditor's report.

**END**