

SECUI



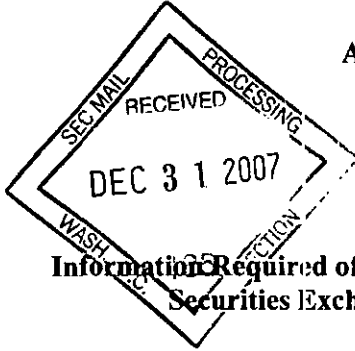
07008743

MISSION

OMB APPROVAL

OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response . . . 12.00

1/4



ANNUAL AUDITED REPORT  
FORM X-17A-5

SEC FILE NUMBER

8-7802

8-07802

PART III  
FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934, Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 11/01/06 AND ENDING 10/31/07  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

Tamarack Distributors, Inc.

OFFICIAL USE ONLY

FIRM ID. NO

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

100 South Fifth Street

(No. and Street)

Minneapolis  
(City)

MN  
(State)

55402  
(Zip Code)

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

Deborah J. Kermeen

(612) 371-7995

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Deloitte & Touche LLP

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

120 South Sixth Street  
(Address)

Minneapolis  
(City)

MN  
(State)

55402  
Zip Code

CHECK ONE:

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

PROCESSED

JAN 15 2008

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)

1/11/08



**Tamarack Distributors, Inc.  
and Subsidiary**  
(SEC I.D. No. 8-7802)

Consolidated Financial Statements and Supplemental  
Schedule as of and for the Year Ended October 31, 2007,  
and Independent Auditors' Report and Supplemental Report  
on Internal Control

Filed Pursuant to Rule 17a-5(e)(3) under the Securities  
Exchange Act of 1934 as a Public Document.

# TAMARACK DISTRIBUTORS, INC. AND SUBSIDIARY

## TABLE OF CONTENTS

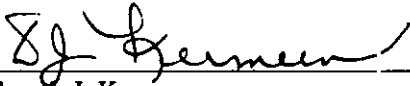
---

	Page
This report** contains (check all applicable boxes):	
(x) Independent Auditors' Report.	
(x) (a) Facing Page.	
(x) (b) Consolidated Statement of Financial Condition.	2
(x) (c) Consolidated Statement of Operations.	3
(x) (d) Consolidated Statement of Cash Flows.	4
(x) (e) Consolidated Statement of Changes in Shareholder's Equity.	5
( ) (f) Consolidated Statement of Changes in Liabilities Subordinated to Claims of General Creditors.	
(x) Notes to Consolidated Financial Statements.	6-8
(x) (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.	10
( ) (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 (not applicable).	
( ) (i) Information relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934 (not applicable).	
( ) (j) A Reconciliation, including appropriate explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements of Rule 15c3-3 (not applicable).	
(x) (k) A Reconciliation between the audited and unaudited Consolidated Statement of Financial Condition with respect to methods of consolidation (Note 1).	6
(x) (l) An Affirmation.	
( ) (m) A copy of the SIPC Supplemental Report (not required).	
(x) (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).	
( ) (o) Schedule of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges Pursuant to Section 4d(2) under the Commodity Exchange Act (not required).	
( ) (p) Schedule of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to Regulation 30.7 under the Commodity Exchange Act (not required).	
( ) (q) Schedule of Segregation Requirements and Funds in Segregation for Commodity Dealer Options Accounts Pursuant to Regulation 32.6 of the Commodity Futures Trading Commission (not applicable).	

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a(e)(3)

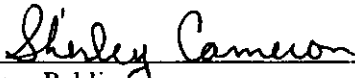
**AFFIRMATION**

I, Deborah J. Kermeen, swear (or affirm) that, to the best of my knowledge and belief, the accompanying consolidated financial statements and supplemental schedule pertaining to Tamarack Distributors, Inc. and Subsidiary for the year ended October 31, 2007, are true and correct. I further swear (or affirm) that, to the best of my knowledge and belief, neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

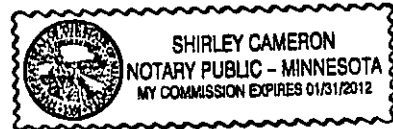


Deborah J. Kermeen  
Chief Financial Officer

Subscribed to before me this day of December 21, 2007



Notary Public



## INDEPENDENT AUDITORS' REPORT

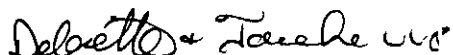
To the Board of Directors and Shareholder of  
Tamarack Distributors, Inc. and Subsidiary  
Minneapolis, Minnesota

We have audited the accompanying consolidated statement of financial condition of Tamarack Distributors, Inc. and Subsidiary (the "Company") as of October 31, 2007, and the related consolidated statements of operations, cash flows, and changes in shareholder's equity for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of Tamarack Distributors, Inc. and Subsidiary at October 31, 2007, 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.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedule listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. This schedule is the responsibility of the Company's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.



December 19, 2007

# TAMARACK DISTRIBUTORS, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF OCTOBER 31, 2007

---

### ASSETS

Cash equivalents (Note 2)	\$4,842,576
Investments — at market value (Note 2)	3,387,604
Receivable from Parent and affiliates (Note 4)	222,015
Other assets	<u>23,731</u>
Total assets	<u>\$8,475,926</u>

### LIABILITIES AND SHAREHOLDER'S EQUITY

#### LIABILITIES:

Income taxes payable (Notes 2 and 3)	\$ 42,189
Deferred income taxes (Notes 2 and 3)	<u>614,236</u>
Total liabilities	<u>656,425</u>

#### SHAREHOLDER'S EQUITY:

Common stock (\$1 par value — 500 shares authorized, issued and outstanding)	500
Additional paid-in capital	749,500
Retained earnings	<u>7,069,501</u>
Total shareholder's equity	<u>7,819,501</u>
Total liabilities and shareholder's equity	<u>\$8,475,926</u>

See notes to consolidated financial statements.

# TAMARACK DISTRIBUTORS, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED OCTOBER 31, 2007

---

### REVENUES:

Net gain on investments (Note 2)	\$ 518,365
Distribution fees (Note 2)	33,252
Other income (Note 4)	<u>46,802</u>
Total revenues	<u>598,419</u>

### NON-INTEREST EXPENSES (Note 4):

Compensation and benefits	165,894
Promotional	30,285
Other professional fees	2,016
Other	<u>96,687</u>
	<u>294,882</u>

Income before income taxes 303,537

Provision for income taxes 213,558

Net income \$ 89,979

See notes to consolidated financial statements.

# TAMARACK DISTRIBUTORS, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED OCTOBER 31, 2007

---

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 89,979
Adjustments to reconcile net income to cash provided by operating activities:	
Noncash items included in net income:	
Unrealized gain on investments	(136,858)
Deferred income taxes	108,292
Amortization on intangible asset	2,483
Changes in assets and liabilities:	
Receivable from Parent and affiliates	111,538
Other assets	(1,560)
Income taxes receivable/payable	200,213
Accounts payable and accrued expenses	<u>(2,752)</u>
Cash provided by operating activities	<u>371,335</u>
CASH USED IN INVESTING ACTIVITIES —	
Purchase of mutual fund investments	<u>(244,238)</u>
INCREASE IN CASH EQUIVALENTS	127,097
CASH EQUIVALENTS — Beginning of year	<u>4,715,479</u>
CASH EQUIVALENTS — End of year	<u>\$4,842,576</u>
SUPPLEMENTAL CASH FLOW INFORMATION —	
Income taxes paid	<u>\$ 10,202</u>

See notes to consolidated financial statements.



# TAMARACK DISTRIBUTORS, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED OCTOBER 31, 2007

---

	Common Stock	Additional Paid-in Capital	Retained Earnings	Shareholder's Equity
BALANCE — October 31, 2006	\$ 500	\$ 749,500	\$ 6,979,522	\$ 7,729,522
Net income	—	—	89,979	89,979
BALANCE — October 31, 2007	<u>\$ 500</u>	<u>\$ 749,500</u>	<u>\$ 7,069,501</u>	<u>\$ 7,819,501</u>

See notes to consolidated financial statements.

# TAMARACK DISTRIBUTORS, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2007

---

### 1. OWNERSHIP AND NATURE OF BUSINESS

Tamarack Distributors, Inc. and Subsidiary (the "Company") is a wholly owned subsidiary of RBC Dain Rauscher Corp. (the "Parent"). The Parent is ultimately owned by Royal Bank of Canada (RBC). The consolidated financial statements include the accounts of Tamarack Distributors, Inc. and its wholly owned subsidiary, Investors Mark Advisors, LLC (IMA), a Delaware limited liability company. All intercompany balances and transactions have been eliminated.

The Company is registered as a broker/dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulation Authority (FINRA), Inc. The Company provides distribution services and serves as the principal underwriter for certain Tamarack Funds (the "Funds"). The Company primarily markets the Funds in the United States.

IMA served as the investment advisor for the Investors Mark Series Fund, Inc. (IMSF) and was a Registered Investment Adviser with the SEC under the Investment Advisers Act of 1940 until August 10, 2005, at which time the registration was terminated upon liquidation of IMSF. Management of the Company is evaluating the future operations of IMA.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Cash Equivalents** — Cash equivalents consist of money market mutual funds for which the Company serves as principal underwriter and investment advisor. These money market mutual funds are carried at market value and are considered cash equivalents because of the Company's ability to redeem them at any time.

**Investments** — Investments represent either shares of mutual funds for which the Company serves as principal underwriter, or shares of externally held mutual funds. Investments are carried at market value based on the underlying net asset value of the related mutual funds. The changes in market value of such investments are included in income during the period in which the changes occur.

**Intangible Asset** — The intangible asset consists of a trademark that is recorded in other assets on the consolidated statement of financial condition and is amortized over its estimated useful life of 10 years using the straight-line method. At October 31, the 2007, the intangible asset was as follows:

Trademark	\$ 24,830
Accumulated amortization	<u>(8,071)</u>
Net intangible asset	<u>\$ 16,759</u>

Amortization expense for the year ended October 31, 2007 was \$2,483. Amortization for each of the next five years is expected to be \$2,483.

**Revenue Recognition** — Net gain on investments on the consolidated statement of operations includes \$381,093 in dividend and interest income reinvested. The Company also generated \$33,252 of revenue related to distribution services in the current year. Distribution revenue is recognized as earned.

**Income Taxes** — The Company is included in the consolidated income tax returns filed by RBC's U.S.-based holding company, RBC Holdings (USA), Inc. The Company's provision for income taxes is recorded on the basis of filing a separate income tax return. Income taxes currently payable or receivable are paid to or received from the Parent. The Company determines deferred tax liabilities and assets and any provision for deferred income taxes based on the differences between the financial statement and tax bases of assets and liabilities at year-end, using the tax rate expected to exist when the temporary differences reverse.

**Use of Estimates** — The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Risk and Uncertainties** — Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risk in the near term could materially affect the amounts reported in the consolidated financial statements.

**New Accounting Pronouncements** — In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, an interpretation of Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in the tax return. This FASB Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The provisions of FIN 48 are effective November 1, 2007 for the Company. Management believes the adoption of FIN 48 will not have a significant impact on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. The provisions of SFAS No. 157 are effective November 1, 2008, for the Company. Management has not completed its assessment of the impact of the adoption of SFAS No. 157 to the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. SFAS No. 159 is effective for the Company in fiscal 2009. The Company is currently evaluating the impact, if any, the adoption of SFAS No. 159 will have on the consolidated financial position and results of operations.

### 3. INCOME TAXES

The amount of actual income tax expense differs from the expense that would result from applying federal statutory tax rates to pretax income due principally to state income taxes and a change in the estimated tax rate that the deferred balances will reverse.

Income tax expense (benefit) for the year ended October 31, 2007, consists of the following:

Current:	
Federal	\$ 88,384
State	16,882
Deferred:	
Federal	48,574
State	<u>59,718</u>
	<u>\$213,558</u>

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities relate primarily to the difference in amortization periods for intangible assets and unrealized gains that are not currently taxable.

#### 4. RELATED PARTY

Expenses, including occupancy, compensation and benefits, and other administrative costs are paid by the Parent or affiliates, and are charged or allocated to the Company. Amounts charged or allocated to the Company in 2007 were \$214,732 which are presented in non-interest expenses, and relate primarily to compensation and benefits, on the consolidated statement of operations. The Company has receivables from the Parent and affiliates of \$222,015 as of October 31, 2007.

The results of operations of the Company are not necessarily indicative of the results that might occur if the Company was operating independently.

#### 5. REGULATORY REQUIREMENTS

The Company is subject to the SEC's Uniform Net Capital Rule (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 under such provisions, shall not exceed 15 to 1. In addition, the Company may be prohibited from expanding its business or paying cash dividends if its ratio of aggregate indebtedness to net capital is greater than 10 to 1. The Company has at all times maintained its net capital above SEC required levels. At October 31, 2007, the Company's net capital of \$6,968,763 was \$6,925,002 in excess of its required net capital of \$43,761. The Company's ratio of aggregated indebtedness to net capital was 0.09 to 1 at October 31, 2007.

The Company claims exemption from Rule 15c3-3 of the Securities and Exchange Commission under Paragraph (k)(1) of that rule.

\* \* \* \* \*

**SUPPLEMENTAL SCHEDULE**

## TAMARACK DISTRIBUTORS, INC. AND SUBSIDIARY

### COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 (Unconsolidated) AS OF OCTOBER 31, 2007

---

NET CAPITAL:	
Total shareholder's equity	<u>\$ 7,819,501</u>
Less nonallowable assets:	
Intangible assets	16,759
Receivables from Parent and affiliates	222,015
Prepaid expenses	<u>6,972</u>
Total nonallowable assets	<u>245,746</u>
Net capital before haircuts	7,573,755
Haircuts on securities	<u>604,992</u>
Net capital	<u>\$ 6,968,763</u>
AGGREGATED INDEBTEDNESS:	
Income taxes payable	\$ 42,189
Deferred income taxes	<u>614,236</u>
Aggregated indebtedness	<u>\$ 656,425</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:	
Minimum net capital required (greater of \$25,000 or 6-2/3% of aggregated indebtedness)	<u>\$ 43,761</u>
Excess net capital	<u>\$ 6,925,002</u>
Ratio of aggregated indebtedness to net capital	<u>0.09</u>

Note: There are no material differences between this computation and that filed by the Company on the amended Securities and Exchange Commission Unaudited Form X-17A-5 as of October 31, 2007.

December 19, 2007

Tamarack Distributors, Inc.  
60 South Sixth Street  
Minneapolis, Minnesota

In planning and performing our audit of the consolidated financial statements of Tamarack Distributors, Inc. and subsidiary (the "Company") for the year ended October 31, 2007 (on which we issued our report dated December 19, 2007) in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), 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 an opinion on the consolidated 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) under 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 compliance with 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 and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in 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, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

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 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 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 were adequate at October 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, FINRA, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

*Deloitte & Touche*

**END**