

19  
2/14



SEC

07010063

MISSION

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response.....	12.00

SEC MAIL RECEIVED PROCESSING  
 FEB - 6 2007  
 WASH. D.C. 186 SECTION

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

SEC FILE NUMBER
8-34765

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:

Brandon Investments, Inc.  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
 5101 Wheelis Road, Suite 112

OFFICIAL USE ONLY
FIRM I.D. NO.

Memphis	(No. and Street)	TN	38117
(City)		(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Ray Brandon (901) 324-6600  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Hill and Ellzey, PC  
(Name - if individual, state last, first, middle name)

5112 Stage Road, #3	Memphis	TN	38134-3164
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

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

**PROCESSED**  
 FEB 21 2007  
 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)

*Ray Brandon*

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, E. Denby Brandon, III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brandon Investments, Inc., as of 12/31, 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:

My Commission Expires Sept. 17, 2008

E. Denby Brandon

Signature

President

[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.
- (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).

# Hill & Ellzey, P.C.

Certified Public Accountants

Brady C. Hill, CPA

Randal E. Ellzey, CPA, CFP

Ellis J. Hill, CPA

Thomas F. Tyler, CPA

David W. Murphree, CPA

Board of Directors  
Brandon Investments, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Brandon Investments, Inc. (the Company), for the year ended 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 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 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 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
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3

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

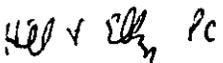
conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

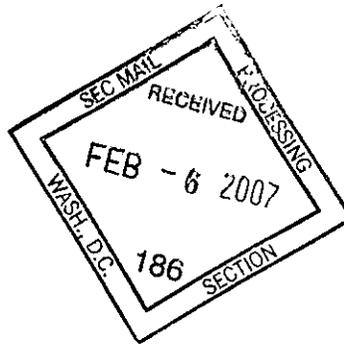
Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including 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 were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended for the information and use of the Board of Directors, management, the SEC, NASD, 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 be used by anyone other than these specified parties.

  
Hill & Ellzey, P. C.  
Memphis, TN  
January 18, 2007



BRANDON INVESTMENTS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2006

BRANDON INVESTMENTS, INC.  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2006

INDEPENDENT AUDITOR'S REPORT	1
BALANCE SHEET	2
STATEMENT OF INCOME & EXPENSES	3
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENT	6-8
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS	9
COMPUTATION OF NET CAPITAL	10
RECONCILIATION WITH COMPANY COMPUTATION	11

*Hill & Ellzey, P.C.*  
Certified Public Accountants

Brian C. Hill, CPA

Randal E. Ellzey, CPA, CFP

Ellis J. Hill, CPA

Thomas F. Tyler, CPA

David W. Murphree, CPA

Independent Auditor's Report

Board of Directors  
Brandon Investments, Inc.

We have audited the accompanying balance sheet of Brandon Investments, Inc., as of December 31, 2006, and the related statements of income and expenses, 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 Brandon Investments, Inc. at 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9, 10, and 11 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.

*Hill & Ellzey PC*  
Hill & Ellzey, P. C.  
Memphis, TN  
January 18, 2007

-1-

Brandon Investments, Inc.  
BALANCE SHEET  
December 31, 2006

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 233,396	
Accounts Receivable	21,192	
Due from Affiliates	60,219	
Prepaid Expenses	<u>7,387</u>	
Total Current Assets		\$ 322,194

FIXED ASSETS

Furniture, Fixtures, & Equipment	\$ 91,389	
Less: Accumulated Depreciation	<u>(89,325)</u>	
Total Fixed Assets - Net		<u>2,064</u>

TOTAL ASSETS \$ 324,258

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 160	
Accrued Payroll Taxes	12	
Accrued State Franchise & Excise Taxes	3,142	
Accrued Federal Income Taxes	1,796	
Deferred Income Taxes	<u>3,844</u>	
Total Current Liabilities		<u>\$ 8,954</u>

TOTAL LIABILITIES \$ 8,954

STOCKHOLDERS' EQUITY

Common stock (authorized, issued & outstanding 100 shares, no par value)	\$ 4,996	
Retained Earnings	<u>310,308</u>	
Total Stockholders' Equity		<u>\$ 315,304</u>

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY \$ 324,258

See notes to financial statements.

Brandon Investments, Inc.  
**STATEMENT OF INCOME & EXPENSES**  
Year Ended December 31, 2006

<b>INCOME</b>		
Commissions	\$ 942,204	
Investment Income	<u>9,461</u>	
Total Income		\$ 951,665
 <b>EXPENSES</b>		
Advertising & Promotion	\$ 3,612	
Automobile Expense	5,052	
Contributions	500	
Depreciation	927	
Dues & Publications	12,578	
Entertainment	1,502	
Insurance	105,394	
Miscellaneous Expense	12,382	
Office Supplies & Expense	24,322	
Postage	5,043	
Professional Services	7,466	
Profit Sharing	190,538	
Rent	23,018	
Salaries	947,082	
Taxes & Licenses	47,434	
Telephone	6,018	
Travel	21,347	
Reimbursed by Affiliate (Note 3)	<u>(463,040)</u>	
Total Expenses		<u>\$ 951,175</u>
 <b>NET INCOME (LOSS) BEFORE INCOME TAXES</b>		 \$ 490
 <b>PROVISION FOR INCOME TAXES</b>		
Current		
State	\$ 3,142	
Federal	5,161	
Deferred	<u>(2,281)</u>	
Total Provision for Income Taxes		<u>\$ 6,022</u>
 <b>NET INCOME (LOSS) FOR THE YEAR</b>		 <u>\$ (5,532)</u>

See notes to financial statements.

Brandon Investments, Inc.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
Year Ended December 31, 2006

	<u>Number Of Shares</u>	<u>Common Stock Amount</u>	<u>Retained Earnings</u>
Balance December 31, 2005	100	\$ 4,996	\$ 315,840
Net Income (Loss) for the Year	_____	_____	_____ (5,532)
Balance December 31, 2006	<u>100</u>	<u>\$ 4,996</u>	<u>\$ 310,308</u>

See notes to financial statements.

Brandon Investments, Inc.  
**STATEMENT OF CASH FLOWS**  
 Increase (Decrease) in Cash & Cash Equivalents  
 Year Ended December 31, 2006

Cash Flows from Operating Activities:		
Net income (loss)		\$ (5,532)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Decrease in Deferred Income Taxes	\$ (2,281)	
Depreciation	927	
Decrease in Accounts Receivable	9,070	
Decrease in Prepaid Expenses	319	
Decrease in Due to Affiliates	4,688	
Increase in Accrued Taxes	3,963	
Decrease in Accounts Payable	<u>(624)</u>	
Total Adjustments to Net Income		<u>16,062</u>
Net Cash Provided by Operating Activities		10,530
Cash Flows from Investing Activities		
Purchase of Equipment	<u>\$ (1,871)</u>	
Net Cash Provided (Used) by Investing Activities		<u>(1,871)</u>
Net Increase in Cash & Cash Equivalents		\$ 8,659
Cash & Cash Equivalents		
December 31, 2005		<u>224,737</u>
Cash & Cash Equivalents		
December 31, 2006		<u>\$ 233,396</u>

See notes to financial statements.

Brandon Investments, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brandon Investments, Inc. was organized on July 16, 1982, as a support organization of its affiliate corporation, Brandon Financial Planning, Inc. The company sells securities, life insurance, annuities, and other types of investments that would be recommended by its affiliate. The company derives its income from commissions on those sales.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

For the purposes of the statement of cash flows, the company considers cash equivalents to include all highly liquid temporary interest-bearing deposits having an original maturity of three months or less.

Deferred income taxes are provided for the timing differences between financial statement and income tax reporting.

Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets using accelerated methods.

Note 2: RELATED PARTIES

Substantial managerial services, office facilities, and other benefited are provided by the company to Brandon Financial Planning, Inc., which is affiliated with the company through common ownership and control. There were no financial transactions between the companies except as outlined in Note 3.

Brandon Investments, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 3: ADMINISTRATIVE OVERHEAD REIMBURSEMENT

This income item represents an allocation of the costs incurred by the company, as explained in Note 2 above. Many of the items of expense overlap between the two corporations, making it virtually impossible to separate them without cumbersome and time consuming time and/or other records. The allocations are based on percent of total income, which appears reasonable, according to management.

Note 4: PENSION PLAN

Brandon Investments, Inc. maintains a profit sharing plan for all eligible employees. Employees are eligible to participate in the plan upon attaining the age of 21 years, and completing 12 months active service. Vesting begins with the second year of service and participants become fully vested after six years. Contributions, based on established percentages of eligible paid compensation, amounted to \$190,538 in 2006.

Note 5. INCOME TAX

Income taxes are provided for the effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes, related primarily to differences between financial and income tax reporting (cash basis). The deferred tax assets and liabilities represent the future tax return consequences of those differences which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income.

Deferred tax assets and liabilities consist of the following:

Deferred tax liabilities	\$ 4,556
Deferred tax assets	<u>( 712)</u>
Net deferred tax liability	\$ 3,844
	=====

Brandon Investments, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 6. LEASE

The Company has a noncancelable operating lease for its office lease.

The total minimum future commitment under this lease for future years is as follows:

2007	\$ 37,240
2008	\$ 37,240
2009	\$ 37,240
2010	\$ 37,240
2011	\$ 15,517

Brandon Investments, Inc.  
STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS  
Year Ended December 31, 2006

Subordinated Liabilities December 31, 2005	\$ .00
Subordinated Liabilities December 31, 2006	\$ .00

Brandon Investments, Inc.  
 COMPUTATION OF NET CAPITAL  
 December 31, 2006

NET CAPITAL			
Stockholders' Equity		\$	315,304
Add:			
Deferred Income Taxes			<u>3,844</u>
Total Capital & Allowable Liabilities		\$	319,148
Deductions:			
Fixed Assets – Net	\$	2,064	
Prepaid Expenses		7,387	
Non-Allowable Assets – Other		<u>60,219</u>	<u>69,670</u>
Net Capital Before Haircuts		\$	249,478
Haircuts on Securities Money Market Account			<u>4,285</u>
NET CAPITAL		\$	<u>245,193</u>
MINIMUM NET CAPITAL REQUIREMENT		\$	<u>5,000</u>
AGGREGATED INDEBTEDNESS			
Accounts Payable & Accrued Expenses		\$	<u>5,110</u>
Percentage of Aggregated Indebtedness To Net Capital			<u>2.08%</u>

Brandon Investments, Inc.  
RECONCILIATION WITH COMPANY COMPUTATION  
December 31, 2006

Reconciliation of Net Capital	
Net Capital as Reported in Company FOCUS Report	\$ 220,158
Add:	
Increase in Allowable Assets	
Accounts Receivable	21,191
Decrease in Accrued Expenses	
Deferred Income Taxes Payable	<u>3,844</u>
 NET CAPITAL	 <u>\$ 245,193</u>
Reconciliation of Aggregate Indebtedness	
Aggregate Indebtedness as reported in Company's FOCUS Report	\$ 8,954
Add/Deduct:	
Decrease in Accrued Expenses	<u>(3,844)</u>
 Aggregate Indebtedness	 <u>\$ 5,110</u>