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

REC'D S.E.C.
FEB 25 2004

SEC FILE NUMBER
8-51512

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 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: FREDERICKS MICHAEL SECURITIES, INC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

430 PARK AVENUE, 8TH FLOOR

(No. and Street)

NEW YORK

(City)

NY

(State)

10022

(Zip Code)

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

MICHAEL GUTHAMMAR

(212) 732-1600

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ABRAMS & COMPANY, PC

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

ONE HUNTINGTON QUADRANGLE MELVILLE

(Address)

(City)

NY

(State)

11747

(Zip Code)

CHECK ONE:

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

PROCESSED

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THOMSON FINANCIAL

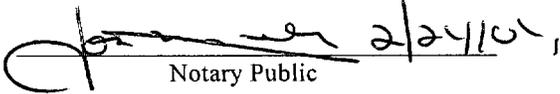
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SW

OATH OR AFFIRMATION

I, MICHAEL GUTHAMMAR, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FREDERICKS MICHAEL SECURITIES, INC., as of 31 DECEMBER, 2008, 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:


Signature
PRESIDENT
Title

 2/24/08
Notary Public

JOSEPH R. MULLER
NOTARY PUBLIC, State of New York
No. 4771517
Qualified in Richmond County
Comm. Expires 04

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 15c3-3 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).

FREDERICKS MICHAEL SECURITIES, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
31 DECEMBER 2002 AND 2003

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Abrams & Company, P.C.
Greater Than Accounting

Certified Public Accountants
Suite 4 South 1
One Huntington Quadrangle
Melville, NY 11747-4406
T (631) 454-9393
F (631) 454-6228

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fredericks Michael Securities, Inc.
New York, New York

We have audited the accompanying statements of financial position of Fredericks Michael Securities, Inc. as of 31 December 2003 and 2002 and the related statements of operations and cash flows for the years 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 audits.

We conducted our audits 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 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 Fredericks Michael Securities, Inc. as of 31 December 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III, and IV 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 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.

Abrams and Company, P.C.
4 February 2004



Abrams & Company, P.C.
Greater Than Accounting

Certified Public Accountants T (631) 454-9393
Suite 4 South 1 F (631) 454-6228
One Huntington Quadrangle
Melville, NY 11747-4406

**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Board of Directors
Fredericks Michael Securities, Inc.
New York, New York

In planning and performing our audit of the financial statements and supplemental schedules of Fredericks Michael Securities, Inc. (the Company), for the year ended 31 December 2003, 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 accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. 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

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 accordance 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 a 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 31 December 2003, to meet the SEC's objectives.

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

4 February 2004

FREDERICKS MICHAEL SECURITIES, INC.
STATEMENTS OF FINANCIAL POSITION

	31 December	
	2002	2003
ASSETS		
Current assets		
Cash and cash equivalents	\$ 51,059	\$ 50,884
Accounts receivable	3,000	6,000
Total current assets	54,059	56,884
Investment	3,300	3,300
Furniture and equipment (net)	4,242	1,078
Total assets	\$ 61,601	\$ 61,262
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 11,264	\$ 8,044
Accrued income/franchise tax	1,673	1,673
Total current liabilities	12,937	9,717
Shareholders' equity		
Common Stock (\$1.00 par value: authorized 200 shares; 100 shares issued and outstanding)	100	100
Additional paid-in capital	49,900	49,900
Retained earnings	(1,336)	1,545
Total shareholders' equity	48,664	51,545
Total liabilities and shareholders' equity	\$ 61,601	\$ 61,262

See notes to financial statements

FREDERICKS MICHAEL SECURITIES, INC.
STATEMENTS OF OPERATIONS

	For the year ended 31 December	
	2002	2003
REVENUES		
Advisory revenue	\$ 13,500	\$ 15,000
Leasing income	830	-
Interest and other income	191	108
	14,521	15,108
COSTS AND EXPENSES		
Depreciation	11,059	3,164
Legal, accounting, and regulatory fees	11,124	8,608
Office and other operating expenses	9	
	22,192	11,772
<i>(Loss) income before provision for taxes</i>	(7,671)	3,336
Provision for taxes		
State and City taxes	(600)	(455)
Total taxes	(600)	(455)
Net (loss) income	(8,271)	2,881
Retained earnings - beginning of year	6,935	(1,336)
Retained earnings - end of year	\$ (1,336)	\$ 1,545

See notes to financial statements

FREDERICKS MICHAEL SECURITIES, INC.
STATEMENTS OF CASH FLOWS

	For the year ended 31 December	
	2002	2003
Cash flows from operating activities		
Net (loss) income	\$ (8,271)	\$ 2,881
Adjustment to reconcile loss to net cash provided by operating activities:		
Depreciation	11,059	3,164
Changes in current assets and current liabilities		
(Increase) in accounts receivable	(3,000)	(3,000)
(Decrease) in accounts payable and accrued expenses	(4,579)	(3,220)
Increase in accrued income/franchise tax	134	
Net cash used by operating activities	(4,657)	(175)
Cash flows from investing activities		
Additions to property and equipment	(808)	
Net cash used by investing activities	(808)	-
Net change in cash	(5,465)	(175)
Cash - beginning of year	56,524	51,059
Cash - end of year	\$ 51,059	\$ 50,884
Additional cash flow information		
Taxes paid	\$ 466	\$ 455

See notes to financial statements

FREDERICKS MICHAEL SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization and Nature of Business

Fredericks Michael Securities, Inc. ("FMS") is a privately held New York corporation, established in May 1988, that provides advisory services and leases equipment. On 1 April 1999, FMS's application with the U.S. Securities and Exchange Commission for registration as a broker/dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934 was approved (effective upon the Company becoming a member in a self-regulatory organization). On 9 July 1999, pursuant to a membership agreement and business plan, FMS became a member of the National Association of Securities Dealers, Inc.

2. Significant Accounting Principles

Revenue Recognition

Revenue is recognized as earned excepting revenue arising from contingent advisory fee assignments, which is recognized – subject to the absence of uncertainties as to the amount of the success fee or the completion of the assignment – at the earlier date of when FMS's work is substantially completed (and the transaction is successfully consummated prior to the issuance of the financial statements) or when the transaction is successfully consummated. In instances where uncertainties exist as to the amount of the success fee payable or as to whether the assignment was completed as agreed upon, revenue is recognized when such uncertainties cease to exist. Expenses are recorded when incurred excepting expenses arising from contingent advisory fee assignments, which are recorded as such expenses are paid.

Fredericks Michael & Co., a 49% shareholder of FMS, may undertake transactions in which FMS participates. The services, and revenue and expense associated with such transactions, are rendered and accounted for pursuant to an income and expense sharing agreement.

Furniture and equipment

Furniture and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

FREDERICKS MICHAEL SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash in banks and highly liquid investment securities that have maturities of three months or less when purchased. The carrying amount approximates fair value due to the short-term maturity of these instruments.

Fair value of financial instruments

Carrying amounts of certain of FMS's financial instruments including cash, accounts receivable and other current assets, accounts payable and accrued expenses and other liabilities approximates fair value due to the short-term maturity of the instruments. The fair value of the other assets approximates its carrying value.

Long-lived assets

Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment and Disposal of Long-Lived Assets," requires that long-lived assets and certain identifiable intangibles to be held and used or disposed of by an entity be reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable. FMS has adopted this Statement and determined that no impairment loss need be recognized for applicable assets.

3. Investment

Investment, which has a restricted market, is valued at cost. In the opinion of management, there has been no diminution in value.

4. Furniture and Equipment

Furniture and equipment consists of the following:

	<u>31 Dec 02</u>	<u>31 Dec 03</u>
Furniture	\$ 38,739	\$ 37,469
Computer and office equipment	<u>90,140</u>	<u>19,530</u>
	128,879	56,999
Accumulated depreciation	<u>(124,637)</u>	<u>(55,921)</u>
	<u>\$ 4,242</u>	<u>\$ 1,078</u>

FREDERICKS MICHAEL SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

5. Related-Party Transactions and Concentrations of Risk

FMS leases 100% of its furniture and equipment to a related party, which owns 49% of FMS. Accordingly, all lease revenue is earned from the related party.

No amounts are due to the related party at 31 December 2002 and 2003, respectively.

During 2002 and 2003, FMS earned all of its advisory income from the related party. Advisory income for 2002 and 2003 amounted to \$13,500 and \$15,000, respectively.

Accounts receivable of \$3,000 and \$6,000 was due from the related party at 31 December 2002 and 2003, respectively.

6. Income Taxes

Income taxes are provided using the liability method prescribed by Financial Accounting Standards Board Statement No. 109, *"Accounting for Income Taxes."*

The difference between FMS's effective tax rate and the normal statutory rate is primarily attributable to state and local taxes.

The Company has net operating loss carryforwards of approximately \$15,000, which expire in 2021 and 2022, in approximately equal portions.

SCHEDULE I

Fredericks Michael Securities, Inc.

Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission

As of 31 December 2003

Net Capital	\$ 51,545
Deduct stockholders' equity not allowable for net capital	-
Add:	
<i>Subordinated borrowings allowable in computation of net capital</i>	<u>-</u>
Total capital and allowable subordinated borrowings	51,545
Deductions and/or charges:	
Nonallowable assets:	
Miscellaneous receivables	\$ 6,000
Securities not readily marketable	3,300
Furniture, equipment, and leasehold improvements (net)	<u>1,078</u>
Net capital before haircuts on securities positions	<u>41,167</u>
Haircuts on securities	<u>-</u>
 Net capital	 <u>\$ 47,167</u>
 Aggregate indebtedness	
Items included in statement of financial condition	
Other accounts payable and accrued expenses	\$ 9,716
Items not included in statement of financial condition	<u>-</u>
Total aggregate indebtedness	<u>\$ 9,716</u>
 Computation of basic net capital requirement	
Minimum net capital required	<u>\$ 5,000</u>
 Excess net capital at 1,500 percent	 <u>\$ 60,293</u>
 Excess net capital at 1,000 percent	 <u>\$ 40,195</u>
 Ratio: Aggregate indebtedness to net capital	 <u>.26 to 1</u>
 Reconciliation with company's computation (included in Part II of Form X-17 A-5 as of December 31, 2003):	
Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 33,702
Audit adjustments to reduce expenses	<u>7,465</u>
Net capital per above	<u>\$ 41,167</u>

SCHEDULE II

Fredericks Michael Securities, Inc.

**Computation For Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission**

As of 31 December 2003

None.

SCHEDULE III

Fredericks Michael Securities, Inc.

**Information Relating to Possession or Control Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission**

As of 31 December 2003

None.

SCHEDULE IV

Fredericks Michael Securities, Inc.

**Schedule of Segregation Requirements and Funds in Segregation for
Customers' Regulated Commodity Futures and Options Accounts**

As of 31 December 2003

None.