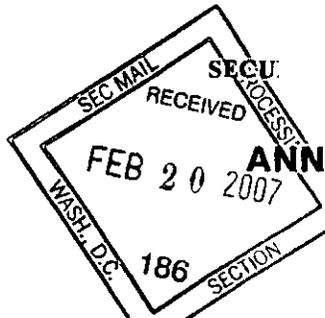




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MISSION

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00



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

SEC FILE NUMBER
8- 47441

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
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Herman, Alexis & Co., Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
633 West 5th Street, 28th Floor

<u>Los Angeles</u>	(No and Street) <u>California</u>	<u>90071</u>
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Mark H. Rhynes (323) 971-6063
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Breard & Associates Inc., Certified Public Accountants

<u>9221 Corbin Avenue Suite 170</u>	(Name - if individual, state last, first, middle name) <u>Northridge</u>	<u>CA</u>	<u>91324</u>
(Address)	(City)	(State)	(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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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)

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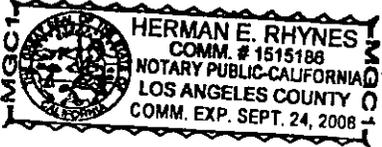
OATH OR AFFIRMATION

I, Mark H. Rhynes, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Herman, Alexis & Co., 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:

Mark H. Rhynes
Signature

State of CALIFORNIA
County of LOS ANGELES
Subscribed and sworn (or affirmed) to before me this 2nd day of JAN, 2007
Herman E. Rhynes
Notary Public

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 Cash Flows
- (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).

BREARD & ASSOCIATES, INC.
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Herman, Alexis & Co., Inc.:

We have audited the accompanying statement of financial condition of Herman, Alexis & Co., Inc. (The Company), as of December 31, 2006, and the related statements of operations, 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 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 Herman, Alexis & Co., Inc. as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I, II, and III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subject 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.

Breard & Associates, Inc.

Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
January 20, 2007

We Focus & CareSM

Herman, Alexis & Co., Inc.
Statement of Financial Condition
December 31, 2006

Assets

Investments, at fair market value	\$ <u>29,240</u>
Total assets	\$ <u><u>29,240</u></u>

Liabilities & Stockholders' Equity

Liabilities

Bank overdraft	\$ 34
Payable to shareholders	10,112
Income taxes payable	<u>800</u>
Total liabilities	10,946

Stockholders' equity

Common stock, no par value, 100 shares authorized, 100 shares issued and outstanding	100
Additional paid-in capital	144,378
Accumulated deficit	<u>(126,184)</u>
Total stockholders' equity	<u>18,294</u>
Total liabilities & stockholders' equity	\$ <u><u>29,240</u></u>

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

Herman, Alexis & Co., Inc.
Statement of Operations
For the Year Ended December 31, 2006

Revenue

Commissions	\$ 365
Interest and dividends	397
Unrealized gain (loss) on investments	<u>(2,346)</u>
Total revenue	(1,584)

Expenses

Occupancy	1,200
Other operating expenses	<u>3,239</u>
Total expenses	<u>4,439</u>

Net income (loss) before income tax provision **(6,023)**

Income tax provision **800**

Net income (loss) **\$ (6,823)**

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

Herman, Alexis & Co., Inc.
Statement of Changes in Stockholders' Equity
For the Year Ended December 31, 2006

	<u>Common Stock</u>	<u>Additional Paid - In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at December 31, 2005	\$ 100	\$ 136,378	\$ (119,361)	\$ 17,117
Proceeds from additional paid-in capital	-	8,000	-	8,000
Net income (loss)	<u>-</u>	<u>-</u>	<u>(6,823)</u>	<u>(6,823)</u>
Balance at December 31, 2006	<u>\$ 100</u>	<u>\$ 144,378</u>	<u>\$ (126,184)</u>	<u>\$ 18,294</u>

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

Herman, Alexis & Co., Inc.
Statement of Changes in Cash Flows
For the Year Ended December 31, 2006

Cash flows from operating activities:		
Net income (loss)		\$ (6,823)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	\$ 2,346	
(Decrease) increase in:		
Bank overdraft	34	
Accounts payable & accrued expenses	(3,150)	
Payable to shareholder	10,112	
Income taxes payable	<u>(3,507)</u>	
Total adjustments		<u>5,835</u>
Net cash and cash equivalents provided by (used in) operating activities		(988)
Cash flows from investing activities:		
Purchase of short-term investments	<u>(21,032)</u>	
Net cash and cash equivalents provided by (used in) investing activities		(21,032)
Cash flows from financing activities:		
Proceeds from additional paid-in capital	<u>8,000</u>	
Net cash and cash equivalents provided by (used in) financing activities		<u>8,000</u>
Net increase (decrease) in cash and cash equivalents		(14,020)
Cash and cash equivalents at beginning of year		<u>14,020</u>
Cash and cash equivalents at end of year		<u>\$ -</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for		
Interest	\$ -	
Income taxes	\$ 1,200	

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

Herman, Alexis & Co., Inc.
Notes to Financial Statements
December 31, 2006

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Herman, Alexis & Co., Inc. (the "Company") was incorporated in the State of Delaware in February 1994, under the name Herman, Alexis & Co., Inc. The Company changed its name to Solomon, David, Herman, Alexis & Co., Inc. on April 4, 2002. On September 21, 2004, the Company changed the name back to Herman, Alexis & Co., Inc. The Company is a fully disclosed broker/dealer, whereby it does not hold customer funds or securities, and is registered under the Securities and Exchange Act of 1934, as amended. The Company is a member of the National Association of Securities Dealers, Inc. ("NASD") and the Securities Investor Protection Corporation ("SIPC").

The Company primarily sells mutual funds and performs limited consulting services. These services would include mergers and acquisitions and private placements. The Company engaged less than ten (10) clients during the year ended December 31, 2006.

Summary of Significant Accounting Policies

The presentation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Commission income is generated from mutual fund trailers. Commission income and expenses are recorded on trade date basis.

The Company, with the consent of its Stockholders, has elected to be an S Corporation and accordingly has its income taxed under Section 1362 of the Internal Revenue Code, which provides that in lieu of corporate income taxes, the Stockholders are taxed on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar regulations, although there exists a provision for a minimum Franchise Tax and a tax rate of 1.5% over the minimum Franchise Fee of \$800.

The Company has elected to report the statement of changes in stockholders' equity without disclosing the accumulated adjustment account and other equity accounts pertinent to an S Corporation. There is no financial impact to these financial statements.

Herman, Alexis & Co., Inc.
Notes to Financial Statements
December 31, 2006

Note 2: INVESTMENTS, AT FAIR MARKET VALUE

Investments, at fair market value consist of the following at December 31, 2006

Mutual Fund	\$ 13,845
Corporate stock	<u>15,395</u>
Total investment	<u>\$ 29,240</u>

These investments are carried at fair market value with any gains or losses from mark-to-market included in income.

Note 3: INCOME TAXES

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company has elected the S Corporate tax status, therefore no federal income tax provision is provided. The tax provision consists of the following California franchise tax minimum.

Current provision	<u>\$ 800</u>
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Note 4: RENT EXPENSE

Current year rent expense consists of the following:

Storage rent	<u>\$ 1,200</u>
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The rent is paid to the majority shareholder. This rental agreement is in accordance with the NASD rules for expense sharing arrangements. (See Note 5.)

Note 5: COMMITMENTS & CONTINGENCIES

In accordance with the NASD expense-sharing agreement rules, the Company entered into one in January of 2005, the Company will incur \$100 per month for storage fees and other incidental use of office equipment. Currently these expenses are being paid by a related party and recognized on the Company's books with a payable being recognized.

Herman, Alexis & Co., Inc.
Notes to Financial Statements
December 31, 2006

Note 6: PAYABLE TO SHAREHOLDERS

Payable to shareholders represents under-reimbursements by the Company for various costs of operations that were advanced by the shareholder during the year. This payable is non-interest bearing.

Note 7: RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is measurement of any tax position that meets the more-likely-than-not recognition threshold to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on the de-recognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and new disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its financial position and results of operations. However, the impact is not expected to be material.

In September 2006, the FASB issued Statement of Accounting Financial Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 157 is not expected to have a material effect on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements Nos. 87, 106, and 132(R)" ("SFAS 158"). SFAS 158 requires companies to recognize on a prospective basis the funded status of their defined benefit pension and postretirement plans as an asset or liability and to recognize changes in that funded status in the year in which the changes occur as a component of other comprehensive income, net of tax.

Herman, Alexis & Co., Inc.
Notes to Financial Statements
December 31, 2006

Note 7: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

The effective date of the pronouncement is a function of whether the Company's equity securities are traded publicly. If the entity has publicly traded securities, the effective date is for fiscal years ending after December 15, 2006. Entities without publicly traded securities must adopt the standard for fiscal years ending after June 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 158 is not expected to have a material effect on the Company's financial statements.

Note 8: NET CAPITAL

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2006, the Company's net capital of \$15,016 exceeded the minimum net capital requirement by \$10,016; and the Company's ratio of aggregate indebtedness (\$10,946) to net capital was 0.73 to 1, which is less than the 15 to 1 maximum ratio required of a Broker/Dealer.

Note 9: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$6,823 difference between the computation of net capital under net capital SEC rule 15c3-1 and the corresponding unaudited focus part IIA.

Net capital per unaudited schedule	\$ 21,839
Adjustments:	
Additional paid-in capital	\$ (1,034)
Retained earnings	(7,236)
Non-allowable assets	4,725
Cash	(13,466)
Securities	13,466
Haircuts	<u>(3,278)</u>
Total adjustments	<u>(6,823)</u>
Net capital per audited statements	<u>\$ 15,016</u>

Herman, Alexis & Co., Inc.
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2006

Computation of net capital

Stockholders' equity

Common stock	\$ 100
Additional paid-in capital	144,378
Accumulated deficit	<u>(126,184)</u>

Total stockholders' equity \$ 18,294

Less: Non-allowable assets -

Net capital before haircuts 18,294

Less: Haircuts and undue concentration

Haircut on securities	(2,309)
Haircut on mutual funds	<u>(969)</u>

Total adjustments (3,278)

Net capital 15,016

Computation of net capital requirements

Minimum net capital requirements

6 2/3 percent of net aggregate indebtedness	\$ 730
Minimum dollar net capital required	\$ 5,000

Net capital required (greater of above) 5,000

Excess net capital \$ 10,016

Ratio of aggregate indebtedness to net capital 0.73: 1

There was a \$6,823 difference in net capital computed above and that which was reported by the Company in Part II of Form X-17A-5 report dated December 31, 2006. See Note 9.

See independent auditor's report.

Herman, Alexis & Co., Inc.
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2006

A computation of reserve requirement is not applicable to Herman, Alexis & Co., Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Herman, Alexis & Co., Inc.
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of December 31, 2006

Information relating to possession or control requirements is not applicable to Herman, Alexis & Co., Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Herman, Alexis & Co., Inc.
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2006

BREARD & ASSOCIATES, INC.

Certified Public Accountants

Board of Directors

Herman, Alexis & Co., Inc.:

In planning and performing our audit of the financial statements of Herman, Alexis & Co., Inc. (the Company), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, 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 our opinion on the 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) of 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 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 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

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 judgements 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 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 entity's financial statements that is more than inconsequential 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 December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, National Association of Securities Dealers, Inc., 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.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
January 20, 2007