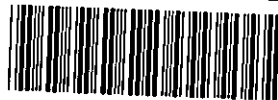


BB 3/12

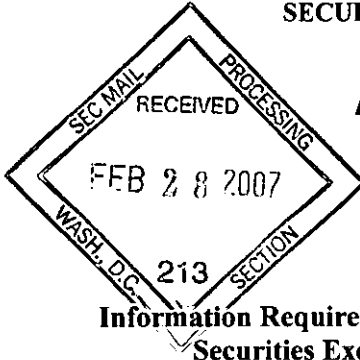


SECUI

MISSION

07003812

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



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

**SEC FILE NUMBER**  
 8- 47137

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:

Mutual Fund Specialists, Inc.

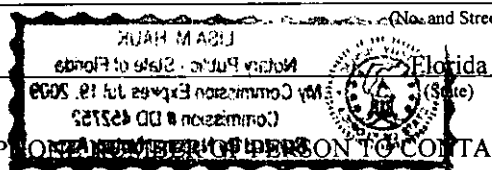
**OFFICIAL USE ONLY**  
 FIRM I.D. NO.

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

1531 Aloma Ave.

Winter Park

(City)



(Name and Street)

Florida

(State)

32792

(Zip Code)

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

Roger A. Toelke

(407) 740-5900

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Cuthill & Eddy LLC

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

1031 W. Morse Blvd., Suite 200, Winter Park, Florida 32789

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 14 2007

FOR OFFICIAL USE ONLY

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).

mm

OATH OR AFFIRMATION

I, Roger A. Toelke, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mutual Fund Specialists, Inc., as of December 31, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor or principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

R.A. Toelke  
Signature  
President  
Title

Lisa M. Hauk  
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 Proprietor's 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 Pursuant to 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).



**Cuthill & Eddy LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
*Limited Liability Company*

Carson L. Eddy  
Victor J. Incinelli  
Todd Hitchins  
Jennifer L. Christensen

Independent Auditor's Report

Stockholder  
Mutual Fund Specialists, Inc.  
Winter Park, Florida

We have audited the accompanying statement of financial condition of Mutual Fund Specialists, Inc. as of December 31, 2006, and the related statements of loss, changes in stockholder's 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 Mutual Fund Specialists, Inc. at 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedules, the computation of net capital and the computation of aggregate indebtedness, as of December 31, 2006, 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Cuthill & Eddy LLC*

February 23, 2007

MUTUAL FUND SPECIALISTS, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2006

ASSETS

Cash and cash equivalents	\$	6,345
Commissions receivable		898
Other assets		<u>100</u>
	\$	<u>7,343</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Stockholder's equity:		
Common stock, no par value, 1,000 shares authorized; 825 shares issued and outstanding		
Additional paid-in capital	\$	27,110
Deficit		<u>(19,767)</u>
	\$	<u>7,343</u>

MUTUAL FUND SPECIALISTS, INC.  
STATEMENT OF LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2006

Revenues:		
Dealer concessions		\$ <u>2,013</u>
Expenses:		
Fees and regulatory expenses		1,925
Professional fees		<u>5,625</u>
		<u>7,550</u>
Net loss		\$ <u>(5,537)</u>

MUTUAL FUND SPECIALISTS, INC.  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Common Stock (Shares)</u>	<u>Additional Paid-in Capital</u>	<u>Deficit</u>	<u>Total</u>
Balance, January 1, 2006	825	\$ 21,240	\$ (14,230)	\$ 7,010
Capital contributions	-	5,870	-	5,870
Net loss	<u>-</u>	<u>-</u>	<u>(5,537)</u>	<u>(5,537)</u>
Balance, December 31, 2006	<u>825</u>	<u>\$ 27,110</u>	<u>\$ (19,767)</u>	<u>\$ 7,343</u>

MUTUAL FUND SPECIALISTS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash flow from operating activities:	
Net loss	\$ (5,537)
Adjustments to reconcile net loss to net cash used by operating activities:	
Increase in commissions receivable	<u>(884)</u>
Net cash used by operating activities	<u>(6,421)</u>
Cash flows from financing activities:	
Capital contributions and net cash provided by financing activities	<u>5,870</u>
Net decrease in cash and cash equivalents	(551)
Cash and cash equivalents at beginning of year	<u>6,896</u>
Cash and cash equivalents at end of year	<u>\$ 6,345</u>

MUTUAL FUND SPECIALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

1. Nature of operations and summary of significant accounting policies:

Nature of operations:

Mutual Fund Specialists, Inc. (the "Company") was incorporated under the laws of the State of Florida in August 1993 as a securities broker-dealer. The Company concentrates its efforts on the promotion and sale of mutual fund investments to its clients. The Company is registered with the National Association of Securities Dealers, the Securities and Exchange Commission under the Securities Exchange Act of 1934, and the State of Florida.

Use of estimates:

The preparation 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and expense recognition:

Commissions from the sale of investments are recognized as income when earned. Commissions that are not known at the trade date or are not able to be estimated are recorded when received.

Computation of customer reserve:

The Company is exempt from customer reserve requirements and providing information relating to possession or control of securities pursuant to rule 15c3-3 of the Securities Exchange Act of 1934. The Company meets the exempting provisions of Paragraph (k)(2)(i).

Income taxes:

The Company and its sole stockholder have elected under Subchapter S of the Internal Revenue Code to have the Company's taxable income or loss reported by the stockholder. Therefore, federal income taxes have not been provided for in the 2006 financial statements.

Cash and cash equivalents:

The Company considers investments with original maturities of three months or less to be cash equivalents.



MUTUAL FUND SPECIALISTS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2006

2. Computation of net capital:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital at an amount equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness, and requires that the ratio of aggregate indebtedness to net capital not to exceed 15 to 1.

As of December 31, 2006, the Company had excess net capital of \$2,053 and a net capital ratio of 0.

3. Supplemental disclosures of cash flow information:

During the year ended December 31, 2006, cash was paid as follows:

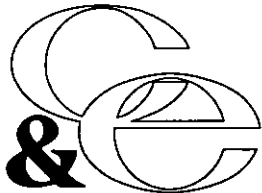
Interest	\$ <u>          -</u>
Income taxes	\$ <u>          -</u>

MUTUAL FUND SPECIALISTS, INC.

COMPUTATION OF AGGREGATE INDEBTEDNESS UNDER  
RULE 17a-5 OF SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2006

Total aggregate indebtedness	\$ <u>          -</u>
Ratio of aggregate indebtedness to net capital	<u>          .00 to 1</u>



**Cuthill & Eddy LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
*Limited Liability Company*

Carson L. Eddy  
Victor J. Incinelli  
Todd Hitchens  
Jennifer L. Christensen

Independent Auditor's Report  
On Internal Control Required By SEC Rule 17a-5

Stockholder  
Mutual Fund Specialists, Inc.  
Winter Park, Florida

In planning and performing our audit of the financial statements and supplemental schedules of Mutual Fund Specialists, Inc. (the "Company") 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 Exchange Commission, (the "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 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 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 that the 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.

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 were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the stockholder, 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.

*Cumme & Egan LLC*

February 23, 2007

*END*