



SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

SEC FILE NUMBER
8- 67206

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: M Financial Securities Marketing, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1125 NW Couch St. STE 900

(No. and Street)

Portland

Oregon

97209

(City)

(State)

(Zip Code)

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

Laura Miller

(503) 232-6960

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers

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

1300 SW Fifth Avenue

STE 3100

Portland

Oregon

97201

(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 19 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)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Laura Miller, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of M Financial Securities Marketing, 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:

None

Laura Miller
Signature

Finop
Title

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).

M Financial Securities Marketing, Inc.

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December 31, 2006 and 2005

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PricewaterhouseCoopers LLP
1300 SW Fifth Avenue
Suite 3100
Portland OR 97201
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Report of Independent Auditors

To the Board of Directors of
M Financial Securities Marketing, Inc.

In our opinion, the accompanying statements of financial condition and the related statements of operations, of changes in stockholder's equity and of cash flows present fairly, in all material respects, the financial position of M Financial Securities Marketing, Inc. (the "Company") at December 31, 2006 and 2005, and the results of its operations and its cash flows for the year ended December 31, 2006 and the period from June 30, 2005 to December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 and II 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.

PricewaterhouseCoopers LLP

February 12, 2007

M Financial Securities Marketing, Inc.
Statements of Financial Condition
December 31, 2006 and 2005

	2006	2005
Assets		
Cash and cash equivalents	\$ 379,254	\$ 10,007
Intermediary receivable	249,033	-
Prepaid expenses and other assets	5,704	-
Total assets	<u>\$ 633,991</u>	<u>\$ 10,007</u>
Liabilities		
Payable to parent	<u>\$ 72,313</u>	<u>\$ -</u>
Stockholder's Equity		
Common stock, no par value, 100 shares issued and outstanding, at December 31, 2006 and 2005	1,000	1,000
Additional paid-in capital	387,770	9,000
Retained earnings	172,908	7
Total stockholder's equity	<u>561,678</u>	<u>10,007</u>
Total liabilities and stockholder's equity	<u>\$ 633,991</u>	<u>\$ 10,007</u>

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

M Financial Securities Marketing, Inc.**Statements of Operations****Year Ended December 31, 2006 and Period June 20, 2005 to December 31, 2005**

	2006	2005
Revenues		
Intermediary fee income	\$ 458,894	\$ -
Interest income	3,000	7
Other income	268	-
	<u>462,162</u>	<u>7</u>
Expenses		
Office expenses	65,009	-
Outside professional fees	64,647	-
Employee compensation and benefits	28,580	-
Meetings	12,537	-
General and administrative	3,947	-
Recruiting and relocation	2,028	-
Travel	1,939	-
Marketing	1,800	-
Education	152	-
Total expenses	<u>180,639</u>	<u>-</u>
Income before income taxes	281,523	7
Provision for income taxes	108,622	-
Net income	<u>\$ 172,901</u>	<u>\$ 7</u>

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

M Financial Securities Marketing, Inc.
Statements of Changes in Stockholder's Equity
Year Ended December 31, 2006 and Period June 20, 2005 to December 31, 2005

	Common Stock		Additional Paid-In Capital	Retained Earnings	Totals
	Shares	Amount			
Balances at June 20, 2005	100	\$ 1,000	\$ -	\$ -	\$ 1,000
Net income	-	-	-	7	7
Capital contribution from Parent	-	-	9,000	-	9,000
Balances at December 31, 2005	100	1,000	9,000	7	10,007
Net income	-	-	-	172,901	172,901
Capital contribution from Parent	-	-	270,148	-	270,148
Capital contribution from Parent for settlement of tax liabilities	-	-	108,622	-	108,622
Balances at December 31, 2006	100	\$ 1,000	\$ 387,770	\$ 172,908	\$ 561,678

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

M Financial Securities Marketing, Inc.**Statements of Cash Flows****Year Ended December 31, 2006 and Period June 20, 2005 to December 31, 2005**

	2006	2005
Cash flows from operating activities		
Net income	\$ 172,901	\$ 7
Adjustments to reconcile net income to net cash provided by operating activities		
Settlement of tax liabilities with Parent by capital contributions	108,622	-
Changes in operating assets and liabilities		
Accounts receivable	(249,033)	-
Prepaid expenses and other assets	(5,704)	-
Payable to parent	72,313	-
Net cash provided by operating activities	<u>99,099</u>	<u>7</u>
Cash flows from financing activities		
Proceeds from initial capital contribution from Parent	-	1,000
Proceeds from additional capital contribution from Parent	<u>270,148</u>	<u>9,000</u>
Net cash provided by financing activities	<u>270,148</u>	<u>10,000</u>
Net increase in cash and cash equivalents	369,247	10,007
Cash at beginning of period	<u>10,007</u>	-
Cash at end of period	<u>\$ 379,254</u>	<u>\$ 10,007</u>

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

M Financial Securities Marketing, Inc.
Notes to Financial Statements
December 31, 2006 and 2005

1. Basis of Presentation and Significant Accounting Policies

Organization and Nature of Business

M Financial Securities Marketing, Inc. (the "Company"), an Oregon corporation, was incorporated on June 20, 2005. The Company is registered as a securities broker pursuant to the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers ("NASD"). The Company is a wholly owned subsidiary of M Financial Holdings Incorporated (the "Parent"). The Parent's primary operating subsidiary is M Life Insurance Company ("M Financial Re"). M Financial Re assumes and retrocedes life insurance contract risks. The life insurance contracts are produced for certain direct writing companies by agents who are stockholders in the Parent ("Member Firms"). The Company primarily receives intermediary fees in the form of compensation from selected insurance carriers based upon the volume of premiums and type of variable insurance products sold by Member Firms. The Company commenced operations in November 2006.

Basis of Presentation

The Company is engaged in a single line of business as a limited business broker-dealer, which primarily receives intermediary fees in the form of compensation from selected insurance carriers based upon the volume of premiums and type of variable insurance products sold by Member Firms.

Accounts Receivable

Management believes the amount of any uncollectible accounts receivable is immaterial at December 31, 2006 and 2005; accordingly, no provision for uncollectible accounts has been recorded.

Cash and Cash Equivalents

The Company's cash consists of bank deposits and money market instruments. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with a remaining maturity of three months or less, when purchased, to be cash equivalents.

Income Taxes

The Company is included in the consolidated federal income tax return filed by the Parent. For the year ended December 31, 2006, the Company has provided for income taxes as if the Company filed a separate income tax return. However, because the Company is not required to settle any tax liability, benefit or credit resulting from its separate tax position with the Parent, all tax liabilities or receivables accrued by the Company are deemed settled by way of a capital contribution or dividend distribution by or to the Parent.

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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Net Capital and Reserve Requirements

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. The Company has elected to use the basic method, permitted by the rule, which requires that the Company maintain minimum net capital as defined, equal to the greater of \$5,000 or 12.5% of the aggregate

M Financial Securities Marketing, Inc.

Notes to Financial Statements

December 31, 2006 and 2005

indebtedness balances, as defined. The net capital rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate indebtedness. At December 31, 2006 and 2005, the Company had net capital of \$306,941 and \$10,007, which was \$297,902 and \$5,007 in excess of its required net capital of \$9,039 and \$5,000, respectively.

The Company is exempt from the provisions of Rule 15c3-3 under paragraph (k)(2)(ii) of the Rule because of the nature of its business.

3. Related-Party Transactions

The Company's Parent, M Financial Holdings Incorporated, allocates certain overhead and indirect expenses to the Company. These overhead and indirect expenses include those expenses related to shared occupancy, equipment, utilities, employees, supplies and administrative costs of the Company. Direct expenses of the Company were incurred and expensed by the Company. Such direct expenses include registrations, assessments, fees, and outside professional services, which were specific to the Company. All expenses are paid by the Parent and then reimbursed by the Company to the Parent. At December 31, 2006, approximately \$72,000 was payable to the Parent for expenses.

Between the time of the Company's incorporation in June 2005 and the commencement of business operations in November 2006, the Parent contributed capital in the amount of \$279,148 in addition to the capital stock of \$1,000. The Company currently earns net income to support its operations, however, the Parent has represented that in the event the Company may no longer have revenues large enough to fund its operations, the Parent will provide financial support to the Company until such time that the revenues earned are sufficient to cover the Company's operating expenses.

4. Income Taxes

The Company is included in the consolidated federal income tax return filed by its Parent. Federal income taxes are calculated as if the Company filed a separate federal income tax return. The income tax expense included in the statement of operations as determined in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, is as follows:

Federal	\$ 95,813
State	<u>12,809</u>
	<u>\$ 108,622</u>

A reconciliation of the difference between the expected income tax expense or income computed at the U.S. statutory income tax rate and the Company's income tax expense is shown in the following table:

Expected income tax expense at U.S. statutory tax rate	\$ 95,718
The effect of	
Nondeductible expenses	95
Increase due to state taxes, net of U.S. federal income tax effects	<u>12,809</u>
Income tax expense	<u>\$ 108,622</u>

M Financial Securities Marketing, Inc.
Notes to Financial Statements
December 31, 2006 and 2005

5. Disclosures about Fair Value of Financial Instruments

SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosures of fair value information about financial instruments, and includes assets and liabilities recognized or not recognized in the statements of financial condition, for which it is practicable to estimate their fair value. The financial instruments of the Company are reported in the statements of financial condition at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments.

6. Commitments and Contingencies

The Company, its Parent, and its Parent's subsidiaries, in common with the insurance industry in general, are subject to litigation in the normal course of their business. The Company's management does not believe that such litigation will have a material effect on its consolidated financial position.

**Supplementary Information Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934**

M Financial Securities Marketing, Inc.
Computation of Net Capital under Rule 15c3-1 of the Securities and
Exchange Commission
December 31, 2006

Schedule I

	As Filed in Part IIA Focus Report	Difference ⁽¹⁾	Amount Based on Audit Report
Net capital			
Total stockholder's equity	\$ 592,491	\$ (30,813)	\$ 561,678
Less nonallowable assets			
Deferred expenses	30,813	(30,813)	-
Accounts and commission receivable	249,033	-	249,033
Prepaid expenses and other assets	5,704	-	5,704
Net capital	<u>\$ 306,941</u>	<u>\$ -</u>	<u>\$ 306,941</u>
Aggregate indebtedness			
Items included in statement of financial condition			
Payable to Parent	<u>\$ 72,313</u>	<u>\$ -</u>	<u>\$ 72,313</u>
Computation of basic net capital requirement			
Minimum dollar net capital requirement (12.5% of aggregate indebtedness)	\$ 9,039	\$ -	\$ 9,039
Excess net capital	297,902	-	297,902
Ratio of aggregate indebtedness to net capital	0.24 to 1		0.24 to 1

⁽¹⁾ The difference relates to an adjustment to remove deferred expenses that was made subsequent to the focus report filing.

M Financial Securities Marketing, Inc.
Computation for Determination of Reserve Requirement and
Information Relating to Possession or Control Requirements for
Brokers or Dealers Pursuant to Rule 15c3-3
December 31, 2006

Schedule II

The Company is exempt from the provisions of Rule 15c3-3 under paragraph (k)(2)(i) of the Rule because the Company carries no customer accounts and, therefore, does not hold funds or securities for or owe funds or securities to customers.

**Report of Independent Auditors on Internal Control
Required by SEC Rule 17a-5**

To the Board of Directors of
M Financial Securities Marketing, Inc.

In planning and performing our audit of the financial statements of M Financial Securities Marketing, 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 (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 compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g), in making the following:

1. The periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11); and
2. 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 the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; and
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, 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 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, second, and third paragraphs of this report 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 Board of Directors, management, the SEC, the 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.

PricewaterhouseCoopers LLP

February 12, 2007

END