

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC. 17
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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: 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 Ave.

(No. and Street)

New York

(City)

NY

(State)

10022

(Zip Code)

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

Alberto Realuyo

212 732 1600

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Garfield, Seltzer & Curcio, CPAs, P.C.

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

551 Fifth Ave

(Address)

New York

(City)

NY

(State)

10176

(Zip Code)

CHECK ONE:

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

PROCESSED

APR 11 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, Alberto Realuyo, 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, 20 06, 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:

FRANK AMARANTE
NOTARY PUBLIC, STATE OF NEW YORK
QUALIFIED IN KINGS COUNTY
REG. # 24-4995829
MY COMMISSION EXPIRES MAY 4, 2010

AMy
Signature
President
Title

3-22-07

[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).

FREDERICKS MICHAEL SECURITIES, INC.

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GARFIELD
+ SELTZER
+ CURCIO

CERTIFIED PUBLIC ACCOUNTANTS PC 551 FIFTH AVENUE NEW YORK NY 10176
TEL: 212 557-9800 • FAX: 212 557-9819 • website: www.gsc CPA.com

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

Independent Auditor's Report

We have audited the accompanying statement of financial condition of Fredericks Michael Securities, Inc. as of December 31, 2006, and the related statements of operations and retained earnings, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 Fredericks Michael Securities, 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 audit was 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 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.

Garfield, Seltzer & Curcio, CPAs, P.C.

New York, New York
March 13, 2007

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

In planning and performing our audit of the financial statements of Fredericks Michael Securities, Inc. 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 the 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 compliance with 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 exempt 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 the recordation of differences required by rule 17a-13.
2. Complying with the requirements of 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 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 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.

Garfield, Seltzer & Curcio, CPA'S, P.C.

New York, New York
March 13, 2007

FREDERICKS MICHAEL SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2006

ASSETS

Current Assets:

Cash	\$ 20,862
Due from Related Party	83,795
Prepaid Expenses	8,187

Total Current Assets 112,844

Property and Equipment - Net

6,626

Total Assets \$ 119,470

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts Payable	\$ 7,912
Accrued Expenses	10,972

Total Current Liabilities 18,884

Stockholders' Equity:

Common Stock - (\$1 Par Value, 200 Shares Authorized 100 Shares Issued and Outstanding)	100
Additional Paid-In Capital	49,900
Retained Earnings	50,586

Total Stockholders' Equity 100,586

Total Liabilities and Stockholders' Equity \$ 119,470

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

"See auditor's report"

FREDERICKS MICHAEL SECURITIES, INC.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2006

Revenue:	
Advisory Income	\$ 110,910
Leasing Income	2,437
Total Revenue	113,347
Operating Expenses	
Depreciation Expense	15,583
Legal, Accounting, and Regulatory Fees	19,964
Office and Other Operating Expenses	950
Facilities Charge	72,000
Total Operating Expenses	108,497
Net Income From Operations	4,850
Other Income and (Expenses)	
Interest Income	133
Total Other Income and (Expenses)	133
Income Before Provision for Income Tax	4,983
Provision for Income Tax	
Current	928
Deferred	(1,503)
Total Provision for Income Taxes	(575)
Net Income	5,558
Retained Earnings - Beginning of Year	45,028
Retained Earnings - End of Year	\$ 50,586

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

"See auditor's report."

FREDERICKS MICHAEL SECURITIES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities:

Net Income	\$ 5,558
Adjustments To Reconcile Net Income To Net Cash	
Provided By Operating Activities:	
Depreciation	15,583
Deferred Taxes Payable	(1,503)
(Increase) or Decrease in Current Assets:	
Lease Income Receivable	4,660
Due from Related Party	(12,410)
Prepaid Expenses	(8,187)
Increase or (Decrease) in Current Liabilities:	
Accounts Payable	7,912
Accrued Expenses	5,206
Income Taxes Payable	(8,640)
Net Cash Provided By Operating Activities	8,179

Cash Flows From Investing Activities:

Purchases of Property and Equipment	(17,117)
Net Cash Used For Investing Activities	(17,117)

Cash Flows From Financing Activities:

None	-
Net Cash Provided By Financing Activities	-

Net Increase in Cash	(8,938)
Cash at Beginning of Year	29,800
Cash at End of Year	\$ 20,862

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:	
Taxes	\$ 16,927
Interest	\$ -

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

"See auditor's report"

FREDERICKS MICHAEL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Nature of Business

Fredericks Michael Securities, Inc. ("The Company") is a privately held New York corporation established in May 1988, that provides advisory services related to mergers, acquisitions, and other corporate transactions which involve the transfer or issuance of securities. On April 1, 1999, the Company's application with 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. The Company is also a member of the National Association of Securities Dealers, Inc.

B) Basis of Accounting

The Company's financial statements are prepared using accrual basis of accounting in accordance with accounting principles general accepted in the United States of America.

C) Property, Equipment and Depreciation

Property, Plant and Equipment are recorded at cost.

Depreciation is provided using various methods over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

D) Income Taxes

The Company is in accordance with FASB No. 109 "Accounting for Income Taxes". The provision for income taxes is comprised of current and deferred components. The current component represents the amount of federal, state, and local income taxes which are currently reportable to the respective tax authorities and is measured by applying statutory rates to the Company's taxable income as reported in its tax returns.

Deferred income taxes are provided for the temporary differences between the carrying values of the Company's assets and liabilities for financial reporting purposes and their corresponding income tax bases. These temporary differences are primarily attributable to the Company's net operating loss tax carry-forwards. As of December 31, 2006, there were no temporary differences to account for.

FREDERICKS MICHAEL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E) Revenue Recognition

Revenue is recognized when the transaction is successfully consummated. Revenue arising from contingent advisory fee assignments is recognized, subject to the absence of uncertainties or the completion of the assignment. In instances where uncertainties exist or as to whether the assignment is completed as agreed upon, revenue is recognized when such uncertainties cease to exist. Expenses are recorded when incurred except in the case of contingent advisory fee assignments, which are recorded when the fee is recognized as earned.

F) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2006	<u>Estimated Useful Life</u>
Office Furniture	\$ 37,469	5 Years
Computer and Office Equipment	48,189	1- 3 Years
Total Property and Equipment	85,658	
Less: Accumulated Depreciation	(79,032)	
Net Property and Equipment	\$ 6,626	

Depreciation expense for the year ended December 31, 2006 totaled \$15,583.

FREDERICKS MICHAEL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(continued)

NOTE 3 - RELATED PARTY TRANSACTIONS

A) *Due From Related Party*

The amount from the Company is pursuant to an Income and Cost Sharing agreement with a related party whereby the Company participates in advisory services with the related party.

The amount due from the related party as of December 31, 2006 totaled \$81,252.

B) *Note Receivable - Related Party*

The Company is a holder of a note receivable from a related party in the amount of \$42,000. The note is due on demand and bears interest at a rate of 7% per annum. This note was repaid on March 31st, 2006.

C) *Leasing Arrangements*

The Company leases 100% of its furniture and equipment to a related party. Accordingly all lease revenue is earned from the related party. The equipment lease terms are between one and two years. For the year ended December 31, 2006, leasing revenue earned from the related party totaled \$2,437.

Included in the amount due from the related party as of December 31, 2006, is leasing income receivable totaling \$2,543.

D) *Major Source of Income*

For the year ended December 31, 2006, approximately one hundred percent (100%) of the Company's advisory income originated from the related party.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

Substantially, all of the Company's cash is maintained in a single bank. The Company has exposure to credit risk to the extent its cash exceeds the \$100,000 covered by federal deposit insurance. As of December 31, 2006, the uninsured amounts (the amounts in excess of \$100,000) totaled \$-0-.

FREDERICKS MICHAEL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(continued)

NOTE 5 - PROVISION FOR INCOME TAXES

The Provision for Income Taxes consists of the following:

Current:

Federal Corporation Tax	\$ 438
New York State Franchise Tax	190
New York City Corporation Income Tax	300
Total Current Taxes	\$ 928

Income taxes payable as of December 31, 2006 totaled \$-0-.

Deferred:

Federal	\$ (1,503)
State and Local Taxes	-
Total Deferred Taxes	\$ (1,503)

Deferred tax assets and liabilities in the accompanying balance sheet for the year ended December 31, 2006 totaled \$-0-.

FREDERICKS MICHAEL SECURITIES, INC.

SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2006

FREDERICKS MICHAEL SECURITIES, INC.

SCHEDULE I

COMPUTATION OF NET CAPITAL PURSUANT TO SEC RULE 15c3-1

DECEMBER 31, 2006

Net Capital

Total stockholders' equity	\$ 100,586
Deduct: stockholders' equity not allowable for net capital	-
Total stockholders' equity qualifies for net capital	100,586
Add: subordinated borrowings allowable in computation of	-
<i>Total capital and allowable subordinated borrowings</i>	100,586
Deductions and/or changes:	
Nonallowable assets:	
Due from related party	83,795
Prepaid expenses	8,187
Furniture and equipment - net	6,626
Total deductions and/or changes:	98,608
<i>Net capital before haircuts on securities positions</i>	1,978
<i>Haircuts on securities</i>	-
<i>Net Capital</i>	\$ 1,978
<i>Aggregate indebtedness</i>	
Items included in statement of financial condition:	
Account payable, accrued liabilities, accrued expenses	
and other items included in statement of financial condition	\$ 18,884
Total aggregate indebtedness	\$ 18,884
<i>Minimum net capital required</i>	\$ 5,000
<i>Excess (Deficit) net capital</i>	\$ (3,022)
<i>Excess (Deficit) net capital at 1,000 percent</i>	\$ 90
<i>Percentage of aggregate indebtedness to net capital</i>	955%
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 2006):	
Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 4,475
Net audit adjustments resulting in increased expenses	(2,497)
<i>Net capital per above</i>	\$ 1,978

FREDERICKS MICHAEL SECURITIES, INC.

SCHEDULE II

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO SEC RULE 15c3-3**

DECEMBER 31, 2006

NONE

FREDERICKS MICHAEL SECURITIES, INC.

SCHEDULE III

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS
UNDER SEC RULE 15c3-3**

DECEMBER 31, 2006

NONE

FREDERICKS MICHAEL SECURITIES, INC.

SCHEDULE IV

**SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION
PURSUANT TO THE COMMODITY EXCHANGE ACT**

DECEMBER 31, 2006

NONE

END