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

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

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8-09952

Washington, DC
110

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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 January 1, 2010 ENDING December 31, 2010

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Fagenson & Co., Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

60 Broad Street

New York

(City)

(No. and Street)

N.Y.

(State)

10004

(Zip Code)

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

Blanche LaLima

212-422-1993

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lilling & Company LLP

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

10 Cutter Mill Road

(Address)

Great Neck

(City)

NY

(State)

11021

(Zip Code)

CHECK ONE

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



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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 exemption. See section 240, 17a-5(e)(2).

Sec 1410 (06-02)

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OATH OR AFFIRMATION

I, Robert B. Fagenson swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of

Fagenson & Co., Inc., as of

December 31, 2010, 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:

Robert B. Fagenson

Signature

CEO

Title

Philip B. Fignato

Notary Public

PHILIP B. FIGNATO
NOTARY PUBLIC, State of New York
No. 024750003670
Qualified in Kings County
Commission Expires July 20, 2014

This Report ** contains (check all applicable boxes):

- (a) Facing Page
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss)
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of General 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.
- (o) A report on internal control.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

FAGENSON & CO., INC.

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

REPORT ON INTERNAL CONTROL

REPORT ON SIPC ASSESSMENTS

DECEMBER 31, 2010

Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fagenson & Co., Inc.
New York, New York

We have audited the accompanying statement of financial condition of Fagenson & Co., Inc. as of December 31, 2010, and the related statements of operations, changes in liabilities subordinated to the claims of general creditors, 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 financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 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 Fagenson & Co., Inc. at December 31, 2010, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 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. This schedule is the responsibility of the Company's management. 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.



CERTIFIED PUBLIC ACCOUNTANTS
Great Neck, New York

February 19, 2011

Ten Cutter Mill Road, Great Neck, NY 11021-3201 • (516) 829-1099 • Fax (516) 829-1065

FAGENSON & CO., INC

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2010

ASSETS

Cash	\$ 12,971
Due from broker dealers and clearing organizations	4,022,752
Securities owned, at market value	2,276,447
Property and equipment, net	115,377
Other assets	<u>343,221</u>
	<u>\$ 6,770,768</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Accrued expenses and other liabilities	\$ 584,972
Subordinated borrowings	<u>3,500,000</u>
	<u>4,084,972</u>

Stockholders' equity

Common stock, \$100 par value; 3,000 shares authorized, 500 shares outstanding	50,000
Paid-in-capital	20,419
Retained earnings	<u>2,615,377</u>
	<u>2,685,796</u>
	<u>\$ 6,770,768</u>

See notes to financial statements

FAGENSON & CO., INC

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2010

REVENUES

Commissions	\$ 3,515,492
Principal transactions	2,242,401
Other income	<u>338,295</u>
	<u>6,096,188</u>

EXPENSES

Salaries and payroll costs	3,593,640
Floor brokerage expense	370,302
Commissions and clearing expense	1,581,890
Communications	193,500
Occupancy costs	380,787
Professional fees	227,005
Operating expenses	<u>1,144,271</u>
	<u>7,491,395</u>

NET LOSS \$ (1,395,207)

See notes to financial statements

FAGENSON & CO., INC

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010**

<i>Cash flows from operating activities</i>	
Net loss	<u>\$ (1,395,207)</u>
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	26,662
(Increase) decrease in assets:	
Securities owned	10,249,299
Other investments	23,701
Due from broker dealers and clearing organizations	(3,721,593)
Other assets	8,864
Increase (decrease) in liabilities:	
Payable to broker dealers and clearing organizations	(4,863,324)
Accrued expenses and other liabilities	<u>(279,523)</u>
Total adjustments	<u>1,444,086</u>
<i>Net cash provided by operating activities</i>	<u>48,879</u>
<i>Cash flows from investing activities</i>	
Purchase of property and equipment	<u>(130,424)</u>
<i>Net cash used in investing activities</i>	<u>(130,424)</u>
<i>Cash flows from financing activities</i>	
Subordinated loan payment	<u>(250,000)</u>
<i>Net cash used in financing activities</i>	<u>(250,000)</u>
NET CHANGE IN CASH	(331,545)
CASH - BEGINNING	<u>344,516</u>
CASH - END	<u>\$ 12,971</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:	
Interest expense	<u>\$ 101,548</u>
Income taxes	<u>\$ -</u>

See notes to financial statements

FAGENSON & CO., INC

**STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2010**

	<u>COMMON STOCK</u>	<u>PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
<i>Balance - beginning</i>	\$ 50,000	\$ 20,419	4,010,584	\$ 4,081,003
<i>Net loss</i>			(1,395,207)	(1,395,207)
<i>Balance - end</i>	<u>\$ 50,000</u>	<u>\$ 20,419</u>	<u>\$ 2,615,377</u>	<u>\$ 2,685,796</u>

See notes to financial statements

FAGENSON & CO., INC.

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO
TO THE CLAIMS OF GENERAL CREDITORS
YEAR ENDED DECEMBER 31, 2010**

<i>Balance - beginning</i>	\$ 3,750,000
<i>Decrease:</i>	
Payment of secured demand collateral agreements	<u>(250,000)</u>
<i>Balance - end</i>	<u>\$ 3,500,000</u>

See notes to financial statements

FAGENSON & CO., INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

1. ORGANIZATION AND NATURE OF BUSINESS

Fagenson & Co., Inc. (the "Company") is a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC) that clears its securities transactions on a fully disclosed basis with Penson Financial Services, Inc. The Company primarily services institutional and retail accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, effective for periods ending after September 15, 2009. This Statement establishes the FASB Accounting Standards Codification ("ASC") as the single source of authoritative United States generally accepted accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the SEC and these financial statements are referenced accordingly.

Securities Transactions and Commissions

Securities transactions are recorded on a trade date basis. Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Securities owned and securities sold, not yet purchased are recorded at current market value. Securities, not readily marketable are valued at current market value or at fair value as determined by management.

Significant Credit Risk and Estimates

The Company's clearing and execution agreement provides that its clearing firm Penson Financial Services, Inc.'s credit losses relating to unsecured margin accounts receivable of the Company's customers are charged back to the Company.

In accordance with industry practice, Penson Financial Services, Inc. records customer transactions on a settlement date basis, which is generally three business days after the trade date. Penson Financial Services, Inc. is therefore exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of its contracts, in which case Penson Financial Services, Inc. may have to purchase or sell the underlying financial instruments at prevailing market prices in order to satisfy its customer-related obligations. Any loss incurred by Penson Financial Services, Inc. is charged back to the Company.

FAGENSON & CO., INC.

NOTES TO FINANCIAL STATEMENTS ***DECEMBER 31, 2010***

The Company, in conjunction with Penson Financial Services, Inc. controls off-balance-sheet risk by monitoring the market value and marking securities to market on a daily basis and by requiring adjustments of collateral levels. Penson Financial Services, Inc. establishes margin requirements and overall credit limits for such activities and monitors compliance with the applicable limits and industry regulations on a daily basis.

The Company is located in New York City, New York and its customers are located throughout the United States.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Company to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and amounts due from broker dealers. The Company maintains accounts with commercial banks and other major institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits.

Securities Owned

Proprietary securities transactions are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis.

Securities owned at December 31, 2010 consist principally of various municipal securities and equity securities.

Property and Equipment

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation of assets is provided using the straight-line method for financial statement reporting purposes over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the asset.

FAGENSON & CO., INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

Income Taxes

Deferred income tax assets and liabilities arise from operating loss carry forwards, other carry forwards and temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements. In addition to future tax benefits from carry forwards, deferred tax balances are determined by applying the enacted tax rate to future periods for differences between the financial statement carrying amount and the tax basis of existing assets and liabilities.

In accordance with ASC 740, Income Taxes, the Company is required to disclose unrecognized tax benefits resulting from uncertain tax positions. At December 31, 2010, the Company did not have any unrecognized tax benefits or liabilities. The Company operates in the United States and in state and local jurisdictions, and the previous three years remain subject to examination by tax authorities. There are presently no ongoing income tax examinations.

Valuation of Investments

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 - inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 - are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

FAGENSON & CO., INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

3. FAIR VALUE MEASUREMENT

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Securities owned:				
Municipal obligations	\$ 1,388,378	\$ -	\$ -	\$ 1,388,378
Money market accounts	145,519	-	-	145,519
Certificate of deposit	-	-	77,030	77,030
Equity securities	<u>665,520</u>	<u>-</u>	<u>-</u>	<u>665,520</u>
	2,199,417	-	77,030	2,276,447
Other assets	<u>-</u>	<u>-</u>	<u>246,477</u>	<u>246,477</u>
Total assets	<u>\$ 2,199,417</u>	<u>\$ -</u>	<u>\$ 323,507</u>	<u>\$ 2,522,924</u>

Level 3 Change in Financial Assets and Liabilities

	<u>Beginning Balance</u>	<u>Realized Gains (Losses)</u>	<u>Purchases, Issuances and Settlements</u>	<u>Ending Balance</u>
Assets				
Certificate of deposit	\$ -	\$ -	\$ 77,030	\$ 77,030
Other assets	<u>270,178</u>	<u>(124,501)</u>	<u>100,800</u>	<u>246,477</u>
Total assets	<u>\$ 270,178</u>	<u>\$ -</u>	<u>\$ 77,030</u>	<u>\$ 323,507</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2010:

Furniture and fixtures	\$ 3,532
Computers and equipment	134,769
Leasehold improvements	<u>59,346</u>
	197,647
Less: accumulated depreciation and amortization	<u>82,270</u>
	<u>\$115,377</u>

Depreciation and amortization expense was \$26,662 for the year ended December 31, 2010.

FAGENSON & CO., INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

5. COMMITMENT

Leases

The Company leases office space in New York City. The leases for the offices expire through July 31, 2017 and call for monthly payments and specified escalations. Rent expense for the year ended December 31, 2010 was approximately \$381,000, net of sublease rental income of approximately \$109,000.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2010 for each of the next five years and in the aggregate are approximately:

<u>Years Ending December 31,</u>	<u>Amount</u>
2011	\$ 387,000
2012	336,000
2013	306,000
2014	325,000
2015	325,000
Thereafter	<u>516,000</u>
Total minimum future rental payments	<u>\$2,195,000</u>

**6. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3**

The Company is exempt for the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to Paragraph (k)(2)(ii). As an introducing broker, the Company clears customer transactions on a fully disclosed basis with Penson Financial Services, Inc. and promptly transmits all customer funds and securities to Penson. Penson Financial Services, Inc. carries all of the accounts of such customers and maintains and preserves such books and records.

7. SUBORDINATED BORROWINGS

The borrowings under a subordinated agreement at December 31, 2010, are as follows:

Subordinated Note, 1.5% due September 30, 2011	\$3,000,000
Subordinated Note, 4.8% due January 19, 2012	<u>500,000</u>
	<u>\$3,500,000</u>

FAGENSON & CO., INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

The subordinated borrowings are available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. As this liability carries a market rate of interest, the carrying amount is a reasonable estimate of fair value.

8. INCOME TAXES

There is no current provision for corporate income taxes for the year ended December 31, 2010, as the Company generated a net loss for income tax purposes. At December 31, 2010, the Company had available for federal income tax purposes net operating loss carry-forwards of approximately \$4,995,000 that expire through 2030. A valuation allowance of 100% of this amount has been recognized due to the determination by the Company that it was uncertain whether the deferred tax assets would ultimately be realized.

9. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c-3-1), which requires 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 (and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2010, the Company had net capital of \$5,393,177, which was \$5,143,177 in excess of its required net capital of \$250,000. The Company had a percentage of aggregate indebtedness to net capital of 11% as of December 31, 2010.

10. PROFIT SHARING PLAN

The Company sponsors a discretionary match 401(k) plan, which covers substantially all eligible employees. Employee contributions to the plan are at the discretion of eligible employees. There was no Company match to the plan for the year ended December 31, 2010.

11. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the Company has reviewed events that have occurred after December 31, 2010, through the date of issuance of these financial statements on February 19, 2011. During this period, the Company did not have any material subsequent events that are required to be disclosed in the financial statements.

***SUPPLEMENTARY INFORMATION
PURSUANT TO RULE 17a-5 OF THE
SECURITIES EXCHANGE ACT OF 1934***

AS OF DECEMBER 31, 2010

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2010**

NET CAPITAL

Total stockholder's equity	\$ 2,685,796
Add: Liabilities subordinated to claims of general creditors allowable in computation of net capital	<u>3,500,000</u> <u>6,185,796</u>
Deductions and/or charges:	
Non-allowable assets from statement of financial condition:	
Other assets	343,221
Other deductions and/or charges	<u>414,656</u> <u>598,921</u>
Net capital before undue concentration and haircuts on securities positions	<u>5,586,875</u>
Haircuts and undue concentration	
State and municipal bond obligations	90,767
Stocks and warrants	99,828
Other securities	<u>3,103</u> <u>193,698</u>
NET CAPITAL	<u>\$ 5,393,177</u>
AGGREGATE INDEBTEDNESS	
Accrued expenses and other liabilities	<u>\$ 584,972</u>
PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>11%</u>
MINIMUM NET CAPITAL REQUIRED	<u>\$ 250,000</u>
EXCESS OF NET CAPITAL OVER MINIMUM REQUIREMENTS	<u>\$ 5,143,177</u>

Statement Pursuant to Paragraph (d) (4) of Rule 17a-5

There were no material differences between the computation of net capital above and the Company's computation included in Part II of Form X-17A-5, as of December 31, 2010.

See independent auditor's report

Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION

To the Board of Directors
Fagenson & Co., Inc.
New York, New York

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2010, which were agreed to by Fagenson & Co., Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., SIPC, solely to assist you and the other specified parties in evaluating Fagenson & Co., Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Fagenson & Co., Inc.'s management is responsible for Fagenson & Co., Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2010, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

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, 2010, 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 New York Stock Exchange, FINRA, 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.



CERTIFIED PUBLIC ACCOUNTANTS
Great Neck, New York

February 19, 2011

Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1)

To the Board of Directors
Fagenson & Co., Inc.
New York, New York

In planning and performing our audit of the financial statements and supplemental schedules of Fagenson & Co., Inc. (the Company), as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States, 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 and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c-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
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.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Selling & Company

CERTIFIED PUBLIC ACCOUNTANTS
Great Neck, New York

February 19, 2011

SIPC-7

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION
P.O. Box 92185 Washington, D.C. 20090-2185
202-371-8300
General Assessment Reconciliation

SIPC-7

(33-REV 7/10)

For the fiscal year ended _____, 20____
(Read carefully the instructions in your Working Copy before completing this Form)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

000652 FINRA DEC
FAGENSON & COMPANY INC 0*6
ATTN: BLANCHE LALIMA
60 BROAD ST 36TH FL
NEW YORK NY 10004-2306

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

- 2. A. General Assessment (Item 2a from page 2) \$ 14,750.79
- B. Less payment made with SIPC-6 filed (exclude interest) (8,431.05)
7-15-10
Date Paid
- C. Less prior overpayment applied (_____)
- D. Assessment balance due or (overpayment) 6,319.68
- E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum _____
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 6,319.68
- G. PAID WITH THIS FORM:
Check enclosed, payable to SIPC
Total (must be same as F above) \$ 6,319.68
- H. Overpayment carried forward \$(_____)

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

(Name of Corporation, Partnership or other organization)

(Authorized Signature)

Dated the _____ day of _____, 20____

(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates: Postmarked Received Reviewed
Calculations Documentation

Forward Copy

Exceptions:
Disposition of exceptions:

DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period
beginning _____, 20____
and ending _____, 20____
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 6,118,190

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining Item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.
(See Instruction C):

111,352

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 101,548

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ 47,542

Enter the greater of line (i) or (ii)

Total deductions

101,548
217,900
5900,290

2d. SIPC Net Operating Revenues

\$ 14750.73

2e. General Assessment @ .0025

(to page 1, line 2.A.)