

Fagenson & Co., Inc.
Statement of Financial Condition
June 30, 2010
Unaudited

Notes to Statement of Financial Condition

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. (formerly Ridge Clearing & Outsourcing Solutions, 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 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 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.

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.

Cash and Cash Equivalents

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

Securities Owned

Securities owned consist principally of various municipal securities.

Office Equipment

Office equipment is carried at cost less depreciation. Depreciation is recorded on a straight-line basis the estimated useful lives of assets.

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.

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 (adjusted) 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 assumption 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.)

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 June 30, 2010.

	<u>Owned</u>	<u>Sold Not Yet Purchased</u>
Corporate equities	403,050	-0-
Municipals	7,268,258	-0-
Other	<u>372,446</u>	<u>-0-</u>
	<u>8,043,755</u>	<u>-0-</u>

4. Commitments and Contingencies

Lease

The Company leases office space in New York City. The lease for the office expires July 31, 2017. The minimum annual aggregate lease payment is \$ 299,565.00.

5. Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3

The Company is exempt from 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.

6. Subordinated Borrowings

The borrowings under a subordination agreement at June 30, 2010, are as follows:

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

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, carrying the amount is a reasonable estimate of fair value.

7. Net Capital 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 and

Assets		
Cash.....	\$	370,372
Receivable from brokers, dealers and clearing organizations.....		309,310
Marketable securities owned, at market value....		8,043,754
Fixed assets, at cost less accumulated depreciation and amortization of \$ 59,478.....		84,490
Other investments.....		320,579
Other assets.....		<u>1,659,656</u>
Total Assets.....	<u>\$</u>	<u>10,788,161</u>

Liabilities and Stockholders' Equity

Payable to brokers, dealers and clearing organizations.....	\$	1,632,750
Accounts payable, accrued expenses and other liabilities.....		609,942
Commitments and Contingent Liabilities		
Subordinated borrowings.....		<u>3,500,000</u>
Total Liabilities.....	<u>\$</u>	<u>5,742,692</u>
Stockholders' Equity		
Capital Stock.....		50,000
Paid-in Capital.....		20,419
Retained earnings.....		<u>4,975,050</u>
Total Stockholders' Equity.....		<u>5,045,469</u>
Total Liabilities and Stockholders' Equity..	<u>\$</u>	<u>10,788,161</u>

The accompanying notes are an integral part of this financial statement

requires that the ratio of aggregate indebtedness to net capital, both 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 June 30, 2010, the Company had net capital of \$5,521,920, which was \$5,221,920 in excess of its required net capital of \$250,000.

8. Annual Report

The most recent annual audit of Fagenson & Co., Inc. pursuant to Rule 17a-5, is available for examination on its website, www.fagenson.com, and Regional Office of the Securities and Exchange Commission, 3 World Financial Center, New York, NY 10281.

Board of Directors
Fagenson & Co., Inc.

Fagenson & Co., Inc.

Unaudited Statement of Financial Condition June 30, 2010

Fagenson & Co., Inc
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Members
New York Stock Exchange, Inc.
Associate Members
American Stock Exchange, Inc.



Coverage to \$500,000.00



Coverage to \$500,000.00