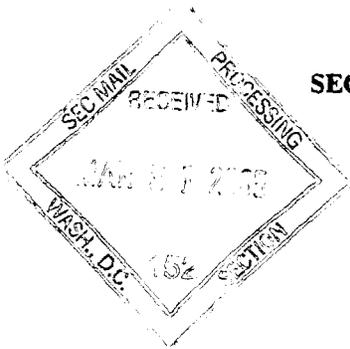




05040956

4-1 CM



SECURITI...SSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	September 30, 1998
Estimated average burden hours per response . . .	12.00

SEC FILE NUMBER	
8-	25248

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

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 02/01/04 AND ENDING 01/31/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Hakman & Company, Incorporated

OFFICIAL USE ONLY

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

1350 Bayshore Hwy., Suite 720

FIRM ID. NO.

(No. and Street)

Burlingame

CA

94010

(City)

(State)

(Zip Code)

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

F. David Carr

(650) 348-1700

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Elwood Espina Ferrell LLP

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

100 No. El Camino Real

San Mateo

CA

94401

(Address)

(City)

(State)

(Zip Code)

PROCESSED

CHECK ONE:

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

APR 07 2005

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)

pt 9/15

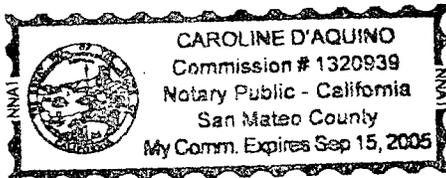
OATH OR AFFIRMATION

I, F. David Carr, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hakman & Company, Incorporated, as of January 31, 19 2005, 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

F. David Carr
Principal. Signature
Executive Vice President.
Title

SCRIBED AND SIGNED TO BEFORE ME
23 March 2005
[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 Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and 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 a

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

Form
X-17A-5

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
PART IIA 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) 16 2) Rule 17a-5(b) 17 3) Rule 17a-11 18
4) Special request by designated examining authority 19 5) Other 26

NAME OF BROKER-DEALER

SEC FILE NO.

8-25248 14

Hakman & Company, Incorporated 13

FIRM I.D. NO.

2N-08148-C1 15

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

1350 Bayshore Hwy., Suite 720 20

(No. and Street)

FOR PERIOD BEGINNING (MM/DD/YY)

02/01/04 24

Burlingame 21

CA 22

94010 23

(City)

(State)

(Zip Code)

AND ENDING (MM/DD/YY)

01/31/05 25

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

(Area Code)—Telephone No.

F. David Carr 30

(650) 348-1700 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

36

38

OFFICIAL USE

33

35

37

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represent that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 23rd day of March 2005

Manual signatures of:

- 1) [Signature]
Principal Executive Officer or Managing Partner
- 2) [Signature]
Principal Financial Officer or Partner
- 3) [Signature]
Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

Elwood Espina Ferrell LLP

70

ADDRESS

100 No. El Camino Real

71

San Mateo

72

CA

73

94401

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States
or any of its possessions

77

FOR SEC USE

--	--

DO NOT WRITE UNDER THIS LINE ... FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				



ELWOOD • ESPINA • FERRELL LLP
Certified Public Accountants

Hakman & Company, Incorporated

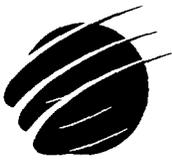
Independent Auditors' Report

To the Board of Directors and Shareholder of
Hakman & Company, Incorporated:

We have audited the financial statements of Hakman & Company, Incorporated as of January 31, 2005 and for the year then ended, and have reported thereon without qualification in our Independent Auditors' Report dated February 17, 2005. In accordance with auditing standards generally accepted in the United States of America, and as discussed in our engagement letter dated October 12, 2004, we reviewed the company's system of internal accounting controls to the extent we deemed necessary in establishing the scope of our examination. Although such a review does not necessarily cover all aspects of internal accounting controls and might not detect all weaknesses in the company's system, our review did not disclose any material inadequacies.

Elwood Espina Ferrell, LLP

February 17, 2005



Hakman & Company, Incorporated

Independent Auditors' Report

To the Board of Directors and Shareholder of
Hakman & Company, Incorporated:

We have audited the accompanying statement of financial condition of Hakman & Company, Incorporated (a California corporation) as of January 31, 2005, and the related statements of income (loss), changes in ownership equity, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hakman & Company, Incorporated as of January 31, 2005, 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 1 to 3 inclusive 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 of the Securities and Exchange Commission. 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.

Elwood Espina Ferrell, LLP

February 17, 2005

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Hakman & Company, Incorporated**

N 3

100

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 01-31-05 99
 SEC FILE NO. 8-25248 98
 Consolidated 198
 Unconsolidated 199

	<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>
1. Cash	\$ 4,882 200		\$ 4,882 750
2. Receivables from brokers or dealers:			
A. Clearance account	295		810
B. Other	300	\$ 550	830
3. Receivables from non-customers	355	409 600	409 830
4. Securities and spot commodities owned, at market value:			
A. Exempted securities	418		850
B. Debt securities	419		
C. Options	420		
D. Other securities	238,280 424		238,280 850
E. Spot commodities	430		
5. Securities and/or other investments not readily marketable:			
A. At cost \uparrow \$	130		
B. At estimated fair value	440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$	150		
B. Other securities \$	160	630	880
7. Secured demand notes:	470	640	890
Market value of collateral:			
A. Exempted securities \$	170		
B. Other securities \$	180		
8. Memberships in exchanges:			
A. Owned, at market \$	190		
B. Owned, at cost		650	
C. Contributed for use of the company, at market value		660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	490	680	920
11. Other assets	535	900 735	900 930
12. TOTAL ASSETS	\$ 243,162 540	\$ 1,309 740	\$ 244,471 940

OMIT PENNIE

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Hakman & Company, Incorporated**

as of 01/31/05

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable	\$ _____ 1045	\$ _____ 1255	\$ _____ 1470
14. Payable to brokers or dealers:			
A. Clearance account	_____ 1114	_____ 1315	_____ 1560
B. Other	_____ 1115	_____ 1305	_____ 1540
15. Payable to non-customers	_____ 1155	_____ 1355	_____ 1610
16. Securities sold not yet purchased, at market value:		_____ 1360	_____ 1620
17. Accounts payable, accrued liabilities, expenses and other	3,891 1205	_____ 1385	3,891 1685
18. Notes and mortgages payable:			
A. Unsecured	_____ 1210		_____ 1690
B. Secured	_____ 1211	_____ 1390	_____ 1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		_____ 1400	_____ 1710
1. from outsiders \$ _____ 970			
2. Includes equity subordination (15c3-1(d)) of ... \$ _____ 980			
B. Securities borrowings, at market value from outsiders \$ _____ 990		_____ 1410	_____ 1720
C. Pursuant to secured demand note collateral agreements		_____ 1420	_____ 1730
1. from outsiders \$ _____ 1000			
2. Includes equity subordination (15c3-1(d)) of ... \$ _____ 1010			
D. Exchange memberships contributed for use of company, at market value		_____ 1430	_____ 1740
E. Accounts and other borrowings not qualified for net capital purposes	_____ 1220	_____ 1440	_____ 1750
20. TOTAL LIABILITIES	\$ 3,891 1230	\$ 1450	\$ 3,891 1760
<u>Ownership Equity</u>			
21. Sole proprietorship			\$ _____ 1770
22. Partnership (limited partners)	\$ _____ 1020		_____ 1780
23. Corporation:			
A. Preferred stock			_____ 1791
B. Common stock 100,000 shares authorized; 1,266 shares outstanding		22,988	1792
C. Additional paid-in capital			_____ 1793
D. Retained earnings		217,592	1794
E. Total		240,580	1795
F. Less capital stock in treasury		()	1796
24. TOTAL OWNERSHIP EQUITY		\$ 240,580	1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY		\$ 244,471	1810

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Hakman & Company, Incorporated**

For the period (MMDDYY) from 02/01/04 3932 to 01/31/05 3933
 Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$		3935
b. Commissions on listed option transactions	↓		3938
c. All other securities commissions			3939
d. Total securities commissions			3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			3945
b. From all other trading			3949
c. Total gain (loss)			3950
3. Gains or losses on firm securities investment accounts			3952
4. Profit (loss) from underwriting and selling groups	↓		3955
5. Revenue from sale of investment company shares			3970
6. Commodities revenue			3990
7. Fees for account supervision, investment advisory and administrative services			3975
8. Other revenue		1,754,798	3995
9. Total revenue	\$	1,754,798	4030

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	\$		4120
11. Other employee compensation and benefits	↓		4115
12. Commissions paid to other broker-dealers			4140
13. Interest expense			4075
a. Includes interest on accounts subject to subordination agreements		4070	
14. Regulatory fees and expenses			4195
15. Other expenses		1,671,432	4100
16. Total expenses	\$	1,671,432	4200

NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	83,366	4210
18. Provision for Federal income taxes (for parent only)	↓	20,400	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			4222
a. After Federal income taxes of		4338	
22. Extraordinary gains (losses)			4224
a. After Federal income taxes of		4239	
21. Cumulative effect of changes in accounting principles			4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$	62,966	4230

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$		4211
---	----	--	------

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER **Hakman & Company, Incorporated**

For the period (MMDDYY) from 02/01/04 to 01/31/05

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period	\$	173,419	4240
A. Net income (loss)		62,966	4250
B. Additions (Includes non-conforming capital of	\$	4262	4260
C. Deductions (Includes non-conforming capital of	\$	4272	4270
Other comprehensive income - unrealized gain on investments, net of deferred taxes of \$1,300		4,195	4270
2. Balance, end of period (From item 1800)	\$	240,580	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period	\$	0	4300
A. Increases			4310
B. Decreases			4320
4. Balance, end of period (From item 3520)	\$	0	4330

OMIT PENNIES

Hakman and Company, Incorporated

Statement of Cash Flows

Year ended January 31, 2005

Operating activities:

Net income	\$ 62,966
Adjustments to reconcile net income to net cash provided by operating activities –	
Realized loss on investments	825
Changes in operating assets and liabilities –	
Increase in tax refund receivable	(11)
Decrease in deferred tax benefit	200
Increase in income taxes payable	3,483

Net cash provided by operating activities 67,463

Net cash used in investing activities –

Payments for purchase of investments	(104,830)
--------------------------------------	-----------

Net decrease in cash and cash equivalents (37,367)

Cash and cash equivalents, beginning of year 42,249

Cash and cash equivalents, end of year \$ 4,882

Supplemental disclosures of cash flow information –

Cash paid during the year for income taxes	\$ 16,728
--	-----------

Noncash transaction -

Unrealized gain on investments, net of deferred taxes of \$1,300	\$ 4,195
--	----------

The accompanying notes are an integral part of this statement.



FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Hakman & Company, Incorporated**

as of 01/31/05

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	240,580		3480
2. Deduct ownership equity not allowable for Net Capital			()	3490
3. Total ownership equity qualified for Net Capital		240,580		3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital				3520
B. Other (deductions) or allowable credits (List)				3525
5. Total capital and allowable subordinated liabilities	\$	240,580		3530
6. Deductions and/or charges:				
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	\$	1,309		3540
B. Secured demand note delinquency				3590
C. Commodity futures contracts and spot commodities— proprietary capital charges				3600
D. Other deductions and/or charges				3610
			(1,309)	3620
7. Other additions and/or allowable credits (List)				3630
8. Net capital before haircuts on securities positions	\$	239,271		3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):				
A. Contractual securities commitments	\$			3660
B. Subordinated securities borrowings				3670
C. Trading and investment securities:				
1. Exempted securities				3735
2. Debt securities				3733
3. Options				3730
4. Other securities		36,248		3734
D. Undue Concentration				3650
E. Other (List)				3736
			(36,248)	3740
10. Net Capital	\$	203,023		3750

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

 BROKER OR DEALER **Hakman & Company, Incorporated**

 as of 01/31/05

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19)	\$	259	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	198,023	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	202,634	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	3,891	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
19. Total aggregate indebtedness	\$	3,891	3840
20. Percentage of aggregate indebtedness to net capital (line 19 + line 10)	%	1.92%	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%	1.92%	3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B N/A

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$		3970
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess capital (line 10 less 24)	\$		3910
26. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000	\$		3920

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

Hakman and Company, Incorporated**Reconciliation of Computation of Net Capital***January 31, 2005*

No.		Net Capital Computation		Audited Over/Under
		Audited	Unaudited	
1	Total ownership equity	\$ 240,580	\$ 240,580	\$ -
6A	Nonallowable assets	(1,309)	(1,309)	-
16	A.I. Liabilities	3,891	3,891	-
		\$ 243,162	\$ 243,162	\$ -



FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Hakman & Company, Incorporated**

as of 01/31/05

Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- | | | |
|---|---|------|
| A. (k) (1) — \$2,500 capital category as per Rule 15c3-1 | | 4550 |
| B. (k) (2)(A) — "Special Account for the Exclusive Benefit of customers" maintained | | 4560 |
| C. (k) (2) (B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis
Name of clearing firm <input checked="" type="checkbox"/> <u>Van Kasper & Co., Inc.</u> 4335 | X | 4570 |
| D. (k) (3) — Exempted by order of the Commission (include copy of letter) | | 4580 |

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual <small>(See below for code)</small>	Name of Lender or Contributor	Insider or Outsider? <small>(In or Out)</small>	Amount to be withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew <small>(Yes or No)</small>
▼ 31 4600		4601	4602	4603	4604 4605
▼ 32 4610		4611	4612	4613	4614 4615
▼ 33 4620		4621	4622	4623	4624 4625
▼ 34 4630		4631	4632	4633	4634 4635
▼ 35 4640		4641	4642	4643	4644 4645
Total \$ 4699					

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

Hakman & Company, Incorporated

Independent Auditors' Report

To the Board of Directors and Shareholder of
Hakman & Company, Incorporated:

We have audited the financial statements of Hakman & Company, Incorporated as of January 31, 2005 and have reported thereon without qualification in our report dated February 17, 2005. We have also made an examination to determine if the company paid the appropriate general assessment for the period from February 1, 2004 through January 31, 2005, in accordance with applicable instructions and forms provided by the Securities Investor Protection Corporation, and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The company submitted only one General Assessment Payment Form (SIPC-4) during this year, which represented the period from February 1, 2004 through January 31, 2005. This form showed a General Assessment of \$150. We have also determined that a General Assessment of only \$150 was payable for the year ended January 31, 2005.

In our opinion, Hakman & Company, Incorporated has paid all amounts due the Securities Investor Protection Corporation for the year ended January 31, 2005.

Edward. Espin. Farrell, LLP

February 17, 2005



Hakman & Company, Incorporated

Notes to Financial Statements

Year ended January 31, 2005

1. **Nature of
Business and
Significant
Accounting
Policies**

Organization – Hakman & Company, Incorporated ("company") was incorporated on June 17, 1980 and subsequently registered with the Securities and Exchange Commission as a broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934. The company is engaged primarily in assisting in the private placement of securities and the sales of limited partnership interests for which it receives commissions.

The company is wholly owned by Hakman Capital Corporation ("HCC").

Method of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting, whereas the tax returns are filed on the cash basis.

Cash Equivalents – Cash equivalents represent all highly liquid debt instruments with original maturities of three months or less. Cash equivalents are included in other securities on the accompanying statement of financial condition.

Depreciation – The company uses accelerated methods of depreciation over useful lives of seven years for furniture and fixtures. Fully depreciated assets still in use were \$40,451 at January 31, 2005.

Investment – Securities classified as "available-for-sale" are carried in the financial statements at fair value. Realized gains and losses, determined using first-in, first-out (FIFO) method, are included in earnings; unrealized holding gains and losses are reported in other income and expense.

Income Taxes – Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes related primarily to differences in the deduction of California franchise taxes, unrealized gains or losses on investments, operating loss carryovers, and capital loss carryovers. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.



Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Investments

The company holds warrants originally purchased for \$1,650 to purchase 600 shares of common stock of the NASDAQ Stock Market, Inc. These warrants are carried at market value. In January, 2004, the company purchased an investment in a mutual fund, which is carried at market value.

Investments are classified as available-for-sale and consist of equity securities and are recorded at the aggregate fair value of \$238,280 at January 31, 2005. Cost was \$236,480 at January 31, 2005. Unrealized gains included in other expenses on the accompanying statement of income (loss) were \$5,495 at January 31, 2005. Realized losses included in the statement of income (loss) were \$825 for the year ended January 31, 2005.

3. Related Party Transactions

The company reimbursed HCC for certain overhead expenses amounting to \$99,000 for the year ended January 31, 2005, which is included in other expenses on the accompanying statement of income (loss).

For the year ended January 31, 2005, the company paid commissions of \$515,473 to F. David Carr ("FDC") and \$534,542 to Hawthorn Health Partners, Inc. ("HHP"). FDC is an officer of the company. HHP is 15% owned by J. David Hakman, an officer of the company and an 80% owner of HCC. These amounts are included in other expenses on the accompanying statement of income (loss).

4. Taxes on Income

The provision for taxes on income for the year ended January 31, 2005 consisted of the following:

	Federal	State	Total
Currently payable	\$ 13,371	\$ 6,829	\$ 20,200
Deferred taxes	600	900	1,500
Deferred taxes included in other comprehensive income	(800)	(500)	(1,300)
Total	\$ 13,171	\$ 7,229	\$ 20,400



The provision for taxes on income differs from the amount that would be obtained by applying federal statutory rates to income before income taxes because no tax benefit has been provided for non-deductible expenses, the company is subject to state income taxes, and the separate calculations of the current and deferred provisions each consider the effect of graduated rates.

Deferred tax assets recognized for deductible temporary differences and loss carryforwards total \$900 for January 31, 2005. Deferred tax assets are individually classified as current and noncurrent based on their characteristics.

At January 31, 2005, there was a capital loss carryforward of approximately \$1,400, which begins to expire in 2008.

