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

SEC FILE NUMBER
8-47683

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Kyson & Co.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

411 E. Huntington Drive, Suite 212

(No. and Street)

Arcadia,

California

91006

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Kao S. Lin 626-821-9816

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Elizabeth Tractenberg, CPA

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

3832 Shannon Road

Los Angeles,

CA

90027-1442

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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FINANCIAL

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*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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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - DECEMBER 31, 2007

KYSON & CO.

411 E. HUNTINGTON DR., SUITE 212

ARCADIA, CA 91006

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Elizabeth Tractenberg, CPA

3832 SHANNON ROAD
LOS ANGELES, CALIFORNIA 90027
323/669-0545 – Fax 323/669-0575
elizabeth@tractenberg.net

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kyson & Co., Inc.
Arcadia, California

I have audited the accompanying statement of financial condition of Kyson & Co., Inc., (the Company) as of December 31, 2007 and related statements of operations, cash flows, and changes in stockholders' equity for the year then ended. These financial statements are being filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of the Company as of December 31, 2007 and the results of its operations, cash flows and stockholders' equity for the year then ended in conformity with accounting principles generally accepted in the United States.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Supplementary Information on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Page 9 includes 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Elizabeth Tractenberg, CPA
Los Angeles, California
January 31, 2008

KYSON & CO.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2007

ASSETS

| | | |
|---|----|---------|
| Cash | | |
| Checking | \$ | 27,534 |
| Savings | | 85,413 |
| Total cash | | 112,947 |
| Clearing broker deposit | | 51,294 |
| Commissions receivable | | 16,060 |
| Property and Equipment, at cost, net of accumulated depreciation of \$24,332 | | 1,010 |
| Security Deposit | | 5,066 |
| Petty cash | | 52 |
| TOTAL ASSETS | \$ | 186,429 |

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

| | | |
|-----------------------|----|--------|
| Accounts payable | \$ | 2,230 |
| Brokers' fees payable | | 9,319 |
| TOTAL LIABILITIES | | 11,549 |

STOCKHOLDERS' EQUITY

| | | |
|--|----|----------|
| Common stock, \$1 par value, 1,000,000 shares authorized; 140,000 shares issued and outstanding | \$ | 140,000 |
| Paid-in capital | | 50,700 |
| Treasury stock | | (35,000) |
| Retained earnings | | 19,180 |
| | | 174,880 |

| | | |
|--|----|---------|
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ | 186,429 |
|--|----|---------|

See accompanying notes to financial statements

KYSON & CO.
STATEMENT OF OPERATIONS
FOR YEAR ENDED DECEMBER 31, 2007

REVENUES

| | |
|----------------------|---------------|
| Commissions and fees | \$ 437,319 |
| Other income | 16,875 |
| Interest income | 7,291 |
| Gain on investments | <u>10,873</u> |

TOTAL REVENUES 472,358

DIRECT COSTS

| | |
|-------------------------|----------------|
| Quote services | 22,809 |
| Commission expense | 59,773 |
| Ticket clearing charges | <u>147,118</u> |

TOTAL DIRECT COSTS 229,700

GROSS PROFITS 242,658

TOTAL OPERATING EXPENSES (page 8) 197,114

INCOME BEFORE TAX PROVISION 45,544

INCOME TAX PROVISION 800

NET INCOME \$ 44,744

See accompanying notes to financial statements

KYSON & CO.
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
 FOR YEAR ENDED DECEMBER 31, 2007

| | Common Stock Shares | Common Stock | Treasury Stock | Paid-In Capital | Retained Earnings (Deficit) | Total |
|-------------------------------|---------------------------|-------------------|--------------------|--------------------|-----------------------------------|-------------------|
| Balance, December 31, 2006 | 140,000 | \$ 140,000 | \$ (35,000) | \$ 82,200 | \$ (25,564) | \$ 161,636 |
| Net Income | | | | | 44,744 | 44,744 |
| Distribution of Capital | | | | (31,500) | 0 | (31,500) |
| Balance, December 31, 2007 | <u>140,000</u> | <u>\$ 140,000</u> | <u>\$ (35,000)</u> | <u>\$ 50,700</u> | <u>\$ 19,180</u> | <u>\$ 174,880</u> |

See accompanying notes to financial statements

KYSON & CO.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2007

| | |
|--|-------------------|
| Cash Flows from Operating Activities: | |
| Net income | \$ 44,744 |
| Depreciation and amortization | 404 |
| Changes in operating assets and liabilities: | |
| Petty cash | 71 |
| Commissions receivable | (10,404) |
| Clearing broker deposit | (1,294) |
| Accounts payable | (841) |
| Commissions payable | <u>7,507</u> |
| Net cash provided by operating activities | <u>40,187</u> |
| Cash Flows for Acquisition Activities: | <u>0</u> |
| Cash Flows for Investing Activities: | |
| Distribution of capital | <u>(31,500)</u> |
| Total Cash Flows for Investing Activities | <u>(31,500)</u> |
| Net increase in cash | 8,687 |
| Cash - beginning of the year | <u>104,260</u> |
| Cash - December 31, 2007 | <u>\$ 112,947</u> |
| Supplemental Cash Flow Information | |
| Cash paid for interest | <u>\$ 0</u> |
| Cash paid for income tax | <u>\$ 800</u> |

See accompanying notes to financial statements

KYSON & CO.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 - ORGANIZATION

Kyson & Co., Inc. (the Company) is a registered broker-dealer incorporated under the laws of the State of California maintaining its principal office in Arcadia, California. The Company operates pursuant to the (k)(2)(ii) exemptive provision of the SEC Rule 15c3-3, pursuant to SEC Rule 17a-5(d)(3) and does not hold customer funds or securities. The Company was incorporated in July 27, 1994, and became a member of the NASD February 22, 1996. The NASD and NYSE Member Regulation consolidated in 2007 to form the Financial Industry Regulatory Agency ("FINRA").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICY

Customers' rebates are offset against commission and fee revenue.

NOTE 3 - NET CAPITAL REQUIREMENT

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions. At December 31, 2007 the Company had complied with the requirement. The computation of net capital requirements pursuant to Rule 15c3-1 appears on page 9.

NOTE 4 - INCOME TAXES

The Company elected to be taxed as an "S" Corporation whereby the Company's income or loss passes directly to the stockholders. There is an \$800 minimum state income tax.

NOTE 5 - CONCENTRATION OF CREDIT RISK

The customers' securities transactions are introduced on a fully-disclosed basis with its clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customers' transactions. Due to the possibility that the customers may charge any losses it incurs to the Company the Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and to ensure that customer transactions are executed properly by the clearing broker/dealer.

KYSON & CO.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 - 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 disclosures 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.

NOTE 7 - COMPUTATION OF DETERMINATION OF RESERVE REQUIREMENTS PER RULE 15c3-3.

A computation of reserve requirements is not applicable to the Company as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii). All customer transactions are cleared through another broker-dealer on a fully disclosed basis.

NOTE 8 – INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3

The Company is exempt from the Rule 15c3-3 as it relates to possession and control requirements under the (k)(2)(ii) exemptive provision.

KYSON & CO.
SCHEDULE OF OPERATING EXPENSES
FOR YEAR ENDED DECEMBER 31, 2007

| OPERATING EXPENSES | |
|----------------------------|-------------------|
| Advertising/marketing | \$ 5,616 |
| Depreciation | 404 |
| Dues and subscriptions | 9,760 |
| Miscellaneous expenses | 495 |
| Office expense | 14,603 |
| Postage | 856 |
| Professional fees | 3,846 |
| Rent | 34,198 |
| Salaries and payroll taxes | 114,743 |
| Telephone | 8,049 |
| Utilities | 4,544 |
| TOTAL OPERATING EXPENSES | <u>\$ 197,114</u> |

See accompanying notes to financial statements

KYSON & CO.
 COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT
 TO RULE 15c3-1
 DECEMBER 31, 2007

COMPUTATION OF NET CAPITAL

| | |
|--|------------|
| Total ownership equity from statement of financial condition | \$ 174,880 |
| Nonallowable assets: | |
| Property and Equipment, net of accumulated depreciation | (1,010) |
| Security Deposit | (5,066) |
| Petty cash | (52) |
| NET CAPITAL | \$ 168,751 |

COMPUTATION OF NET CAPITAL REQUIREMENTS

| | |
|---|------------|
| Minimum net aggregate indebtedness - 6.67% of net aggregate indebtedness | \$ 770 |
| Minimum dollar net capital required | \$ 5,000 |
| Net Capital required (greater of above amounts) | \$ 5,000 |
| EXCESS CAPITAL | \$ 163,751 |

| | |
|---|------------|
| Excess net capital at 1000% (net capital less 10% of aggregate indebtedness) | \$ 167,596 |
|---|------------|

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | |
|---------------------------------------|-----------|
| Total liabilities | \$ 11,549 |
| Aggregate indebtedness to net capital | 0.07 |

RECONCILIATION

The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

| | |
|---------------------------------------|------------|
| NET CAPITAL PER COMPANY'S COMPUTATION | \$ 167,457 |
| VARIANCE | |
| Clearing broker deposit accounts | 1,294 |
| NET CAPITAL PER AUDITED REPORT | \$ 168,751 |

See accompanying notes to financial statements

PART II

KYSON & CO.

STATEMENT OF INTERNAL CONTROL

DECEMBER 31, 2007

Elizabeth Tractenberg, CPA

3832 SHANNON ROAD
LOS ANGELES, CALIFORNIA 90027
323/669-0545 – Fax 323/669-0575
elizabeth@tractenberg.net

REPORT OF INDEPENDENT ACCOUNTANT
ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

Board of Directors
Kyson & Co.
Arcadia, California

In planning and performing my audit of the financial statements and supplemental schedules of Kyson & Co. (the Company) for the year ended December 31, 2007, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I 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-5(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I 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
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board 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

Board of Directors
Kyson & Co.
Arcadia, California

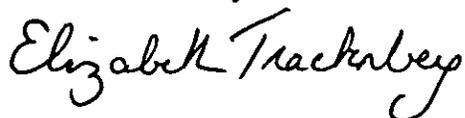
management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control 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.

My 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 the specific internal control components does not reduce to a relatively low level the risk that 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, I noted no matters involving internal control, including control activities for safeguarding securities that I consider to be material weaknesses as defined above.

I 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 my study, I believe that the Company's practices and procedures were adequate on December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used for anyone other than these specified parties.



Elizabeth Tractenberg, CPA
Los Angeles, California
January 31, 2008