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Washington, D.C. 20549

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

SEC FILE NUMBER
8- 35363

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 1/1/2008 AND ENDING 12/31/2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: NW Capital Markets Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
10 Exchange Place, 17th Floor

Jersey City, NY 07302(No. and Street)

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Lisa Petrosky 201-656-0115

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Prager and Fenton LLP

675 Third Avenue, New York, NY 10017
(Name - if individual, state last, first, middle name)

(Address)

(City)

(State)

SEC Mail Processing
Section

CHECK ONE:

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

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Washington, DC
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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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Dennis Enright, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NW Capital Markets Inc. as of December 31, 20 08, 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:

[Handwritten Signature]
Signature
President
Title

[Handwritten Signature: Veronica Serrano]
Notary Public

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

OFFICIAL SEAL
VERONICA SERRANO
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES 11/19/2013
COMMISSION NO. 2307724





**CERTIFIED
PUBLIC
ACCOUNTANTS**

2381 ROSECRANS AVENUE, SUITE 350 EL SEGUNDO, CA 90245 (310) 207-2220 FAX (310) 207-0556

PRAGER AND FENTON LLP
www.pragerfenton.com

INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Board of Directors
NW Capital Markets Inc.
Jersey City, New Jersey

We have audited the accompanying statements of financial condition of NW Capital Markets Inc., (an S-Corporation), (the Company) as of December 31, 2008 and 2007, and the related statements of operations, changes in stockholder's equity, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 NW Capital Markets Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

Prager and Fenton LLP

Prager and Fenton LLP

February 12, 2009

NW CAPITAL MARKETS INC.

Statements of Financial Condition
December 31, 2008 and 2007

Assets

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 1,186,647	\$ 1,079,181
Marketable securities owned, at market value	1,631,907	1,923,162
Prepaid expenses	4,453	3,054
Fixed assets, net	<u>10,500</u>	<u>19,500</u>
Total Assets	<u>\$ 2,833,507</u>	<u>\$ 3,024,897</u>

Liabilities and Stockholder's Equity

Liabilities

Accounts payable and accrued expenses	\$ -	\$ 979
Payable to clearing organization	<u>1,652,956</u>	<u>1,929,108</u>
Total Liabilities	<u>1,652,956</u>	<u>1,930,087</u>

Stockholder's Equity

Common stock, no par value, 1,000 shares authorized and 1,000 shares issued and outstanding	10,000	10,000
Additional paid-in capital	40,462	40,462
Retained earnings	<u>1,130,089</u>	<u>1,044,348</u>
Total Stockholder's Equity	<u>1,180,551</u>	<u>1,094,810</u>
Total Liabilities and Stockholder's Equity	<u>\$ 2,833,507</u>	<u>\$ 3,024,897</u>

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

NW CAPITAL MARKETS INC.

Statements of Operations
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Investment banking, net	\$ 860,067	\$ 1,732,341
Proprietary trading income (loss), net	(124,356)	299,640
Commissions and other	6,133	37,813
Interest and dividends	66,136	82,649
	<u>807,980</u>	<u>2,152,443</u>
Total Revenues		
Expenses		
Compensation	132,150	591,838
Management fees	400,000	1,100,000
Professional and consulting fees	20,214	19,000
Regulatory fees and publications	14,559	15,034
Service charges	86	2,021
Insurance	1,005	1,007
Office expense	1,633	14,150
Depreciation and amortization	9,000	9,000
Donation	-	2,500
Interest expense - margin	141,512	66,811
	<u>720,159</u>	<u>1,821,361</u>
Total Expenses		
Income From Operations Before Other Income (Expense)	87,821	331,082
Loss from investments	-	(271,760)
Income Before Provision for Income Taxes	87,821	59,322
Provision for Income Taxes	2,080	4,136
Net Income	<u><u>\$ 85,741</u></u>	<u><u>\$ 55,186</u></u>

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

NW CAPITAL MARKETS INC.

*Statements of Changes In Stockholder's Equity
For the Years Ended December 31, 2008 and 2007*

	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholder's Equity
Balances, December 31, 2006	1,000	\$ 10,000	\$ 40,462	\$ 1,189,162	\$ 1,239,624
Net income				55,186	55,186
Less: Distribution				(200,000)	(200,000)
Balances, December 31, 2007	1,000	10,000	40,462	1,044,348	1,094,810
Net income				85,741	85,741
Balances, December 31, 2008	1,000	\$ 10,000	\$ 40,462	\$ 1,130,089	\$ 1,180,551

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

NW CAPITAL MARKETS INC.

Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Net income	\$ 85,741	\$ 55,186
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,000	9,000
(Increase) decrease in:		
Income taxes receivable	-	2,456
Prepaid expenses	(1,399)	2,819
Increase (decrease) in:		
Accounts payable and accrued expenses	(979)	(36,228)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>92,363</u>	<u>33,233</u>
Cash Flows from Investing Activities		
Marketable securities owned, at market value	291,255	(177,167)
Additions to fixed assets	-	(7,500)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>291,255</u>	<u>(184,667)</u>
Cash Flows From Financing Activities		
Payable to clearing organization	(276,152)	367,599
Capital distribution	-	(200,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(276,152)</u>	<u>167,599</u>
Increase in cash and cash equivalents	107,466	16,165
Cash and cash equivalents at the beginning of year	<u>1,079,181</u>	<u>1,063,016</u>
Cash and cash equivalents at the end of year	<u>\$ 1,186,647</u>	<u>\$ 1,079,181</u>
Supplemental Disclosures		
Cash paid during the year for:		
Income taxes	<u>\$ 2,080</u>	<u>\$ 2,056</u>
Interest	<u>\$ 141,512</u>	<u>\$ 66,811</u>

NW CAPITAL MARKETS INC.

Notes to Financial Statements For the Years Ended December 31, 2008 and 2007

NOTE 1 ORGANIZATION AND NATURE OF THE BUSINESS

NW Capital Markets Inc. (the Company) is registered as a broker-dealer in securities with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority (FINRA), formerly the National Association of Securities Dealers, Inc. (NASD). The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including investment banking, principal transactions, and investment advisory services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Investment Banking

Investment banking revenues include gains, losses, and fees net of expenses, arising from securities offerings in which the Company acts as an underwriter or syndicate member. Investment banking revenue also includes fees from financial advisory services. Revenue is recorded when the underwriting is completed, and financial advisory services are rendered.

Principal Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Gains and losses on the sale of investments entered into for the account and risk of the Company are recorded on a trade date basis. The Company purchases the securities, both from their own underwritings and on the open market, in accordance with a margin account agreement with their clearinghouse. Revenue from these transactions is recorded on a net basis in operating income and includes gains or losses attributed to the market value of inventory owned.

Investment Advisory Services

The Company advises customers on certain securities transactions. The trades are transacted by a clearing organization. Commission income on these transactions is recorded on a trade-date basis as the securities transactions occur.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. In lieu of corporate income taxes, the shareholder of the Company will be taxed on the Company's taxable income. Accordingly, no provision for federal income taxes has been included in these financial statements. The Company pays state income taxes, which a provision has been provided.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash and have original maturities of three months or less.

NW CAPITAL MARKETS INC.

*Notes to Financial Statements
For the Years Ended December 31, 2008 and 2007*

NOTE 3 FIXED ASSETS

Furniture is reported at historical cost, less accumulated depreciation using the straight line method over the estimated useful life (five years). Computer software is amortized using the straight line method over the estimated useful life (three years). Depreciation expense was \$4,000 and \$4,000 and amortization expense was \$5,000 and \$5,000 for the years ended December 31, 2008 and 2007.

Fixed assets consist of:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Furniture	\$ 20,000	\$ 20,000
Computer software	<u>15,000</u>	<u>15,000</u>
Less: depreciation and amortization	<u>(24,500)</u>	<u>(15,500)</u>
Fixed assets, net	<u>\$ 10,500</u>	<u>\$ 19,500</u>

NOTE 4 CONCENTRATION OF CREDIT RISK

The Company maintains its cash and cash equivalents accounts with high quality financial institutions, in amounts which at times exceed federally insured limits.

NOTE 5 NET CAPITAL REQUIREMENTS

As a registered broker-dealer and member of the Financial Industries Regulatory Authority, the Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the Company to maintain minimum net capital, as defined, equal to the greater of one-fifteenth of aggregate indebtedness, as defined, or \$100,000. Net capital changes from day to day, and at December 31, 2008 and 2007, the Company had net capital, as defined, of \$1,143,345 and \$922,193, respectively, which exceeds the minimum statutory requirement of \$100,000.

NOTE 6 RULE 15C3-3

The Company does not carry accounts for customers or otherwise hold funds or securities for, or owe money or securities to customers. Accordingly, the Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 in that the Company's activities are limited to those set forth in the conditions for exemption under paragraph (k)(1) of that rule.

NOTE 7 RELATED PARTY TRANSACTIONS

The Company shares office space and administrative personnel with an affiliate. Occupancy and related overhead costs are absorbed by the affiliate in accordance with a written agreement. The Company paid management fees to the affiliate that amounted to \$400,000 and \$1,100,000, for the years ended December 31, 2008 and 2007, respectively.

The Company invested \$250,000 in NW Advisors, LLC, also an affiliated company. By the end of 2007, NW Advisors, LLC had ceased doing business and returned \$119,295 of the initial investment to the Company, resulting in an investment loss of \$130,705.

NW CAPITAL MARKETS INC.

*Notes to Financial Statements
For the Years Ended December 31, 2008 and 2007*

NOTE 8 LOSS FROM INVESTMENTS

During 2007, the Company invested in future contracts, resulting in a loss of \$141,055. Total investment losses, including the affiliated company described in Note 7, were \$271,760.

SUPPLEMENTARY SCHEDULES

NW Capital Markets Inc.

***Schedule I - Computation of Net Capital Requirement Under Rule 15c3-1
of the Securities and Exchange Commission***

December 31, 2008

Net Capital

Total Stockholder's Equity	<u>\$1,180,551</u>
Total Capital and Allowable Credits	1,180,551
Deduct - Non-allowable assets:	
Prepaid expenses	4,453
Fixed assets, net	10,500
Total Debits	<u>14,953</u>
Net Capital Before Haircuts on Security Positions	1,165,598
Deduct - haircuts on security positions	<u>(22,253)</u>
 NET CAPITAL	 1,143,345
Deduct - minimum net capital requirement - the greater of 6 ² / ₃ % of aggregate indebtedness of \$0 or \$100,000	 <u>(100,000)</u>
NET CAPITAL IN EXCESS OF REQUIREMENT	<u>\$1,043,345</u>
 RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	 <u>0.000 to 1</u>

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

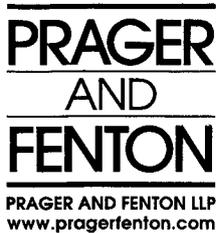
The difference between this computation of net capital and the corresponding computation prepared by NW Capital Markets, Inc. and included in its unaudited Part IIA FOCUS Report filing as of December 31, 2008 amounted to an increase in net capital of \$9,269. The net difference is primarily due to a reclassification of prior-year adjustments and an entry for depreciation and amortization.

NW Capital Markets Inc.

***Schedule II - Computation for the Determination of Reserve Requirements for
Broker-Dealers Under Rule 15c3-3 of the Securities and Exchange Commission***

December 31, 2008

The Company carries no customer accounts, does not otherwise hold funds or securities for, or owe money or securities to, customers; accordingly, no amounts need to be included in the customer reserve requirements, and the information relating to the possession or control requirements under SEC Rule 15c3-3 is not applicable.



**CERTIFIED
PUBLIC
ACCOUNTANTS**

2381 ROSECRANS AVENUE, SUITE 350 EL SEGUNDO, CA 90245 (310) 207-2220 FAX (310) 207-0556

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

To the Stockholder and Board of Directors
NW Capital Markets Inc.
Jersey City, New Jersey

In planning and performing our audit of the financial statements and supplemental schedules of NW Capital Markets Inc. (the Company) for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, 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 the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e)
2. Making quarterly securities examinations, counts, verifications, and comparisons and 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 of Governors of the Federal Reserve System
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3

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.

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.

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 control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 consider the following deficiencies to be significant deficiencies in internal control:

Segregation of Duties – We noted an overall lack of segregation of duties in the internal control cycles of the Company. We recommend the Company evaluate employee task assignments in order to enhance the internal controls of the Company.

Currently, there is no written documentation of the Company's internal control policies and procedures. We recommend that an Accounting Policies and Procedures manual be developed to be followed by all employees. The preparation and maintenance of standard written procedures is suggested in order to: (1) establish consistent company practices; (2) facilitate review by management and adherence to policies; (3) facilitate training of new employees. The appropriate personnel should be provided with a copy of the manual as a reference source and management should periodically review the policies as well as compliance with the standard procedures.

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, 2008, to meet the SEC's objectives.

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

Prager and Fenton LLP

Prager and Fenton LLP
El Segundo, CA
February 12, 2009

NW CAPITAL MARKETS INC.

REPORT PURSUANT TO RULE 17a-5(d)

December 31, 2008 and 2007

(With Independent Auditor's Report)

**SEC Mail Processing
Section**

MAR 02 2009

**Washington, DC
111**

NW CAPITAL MARKETS INC.

December 31, 2008 and 2007

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