

AS
3/12



UNI
SECURITIES AND
Washington, D.C. 20549

09059804

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response..... 12.00

SEC
Mail Processing
Section

MAR 08 2009

Washington, DC
101

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

SEC FILE NUMBER
8-29452

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 01/01/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ABRAHAM + CO INC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
3724 47th Street Ct. NW
(No. and Street)
Gig Harbor WA 98335
(City) (State) (Zip Code)

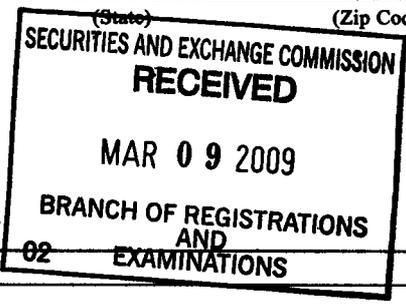
OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
HJ & Associates, LLC
(Name - if individual, state last, first, middle name)
50 West Broadway, Ste. 600 Salt Lake City UT 84101
(Address) (City) (State) (Zip Code)

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



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)

104-1

OATH OR AFFIRMATION

I, Kye A. Abraham, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Abraham & Co., Inc., as of December 31st, 2008, 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



Kye A. Abraham
Notary Public

[Signature]
Signature
President
Title

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).

ABRAHAM & CO., INC.
FINANCIAL STATEMENTS
December 31, 2008

C O N T E N T S

Report of Independent Registered Public Accounting Firm	3
Statement of Financial Condition	4
Statement of Operations	5
Statement of Changes in Stockholder's Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Supplementary Information:	
Schedule I: Computation of Net Capital Under Rule 15c3-3 of the Securities and Exchange Commission.....	12
Schedule II: Computations for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	13
Independent Auditors' Report on Internal Control Structure Required by SEC Rule 17a-5.....	14

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder's of
Abraham & Co., Inc.
Gig Harbor, Washington

We have audited the statement of financial position of Abraham & Co., Inc. as of December 31, 2008, and the related statement of operations, stockholder's equity (deficit), and cash flows for the year 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 the standards of the Public Company Accounting Oversight Board (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. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included 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. 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 Abraham & Co., Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

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 I and II is presented for purposes of additional analysis and is not 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.

HJ & Associates, LLC
Salt Lake City, Utah
February 16, 2009

ABRAHAM & CO., INC.
Statement of Financial Condition

ASSETS

	<u>December 31,</u> <u>2008</u>
CURRENT ASSETS	
Cash	\$ 1,391
Cash deposit with clearing organization	10,596
Commissions receivable	431
Marketable securities, at fair value	86
Investment in affiliate company, at fair value	<u>30,000</u>
 Total Current Assets	 <u>42,504</u>
 Equipment and software at cost, net of accumulated depreciation of \$1,458	 <u>3,041</u>
 TOTAL ASSETS	 <u>\$ 45,545</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts payable, accrued expenses, and other liabilities	<u>\$ 2,168</u>
 Total Current Liabilities	 <u>2,168</u>

STOCKHOLDER'S EQUITY

Common stock, \$1.00 par value, authorized 20,000 shares, issued 12,800 shares	12,800
Additional paid-in capital	114,993
Accumulated deficit	<u>(84,416)</u>
 Total Stockholder's Equity	 <u>43,377</u>
 TOTAL CURRENT LIABILITIES AND STOCKHOLDER'S EQUITY	 <u>\$ 45,545</u>

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

ABRAHAM & CO., INC.
Statement of Operations

	For the Year Ended December 31, <u>2008</u>
REVENUES	
Commissions	\$ 11,520
Management services	41,326
Administrative fees charged to related parties	<u>18,000</u>
Total Revenue	<u>70,846</u>
OPERATING EXPENSES	
General and administrative expense	26,220
Employee compensation	39,600
Depreciation	903
Unrealized loss on marketable securities	117
Unrealized loss on investment in affiliate company	<u>26,250</u>
Total Operating Expenses	<u>93,090</u>
LOSS BEFORE OTHER EXPENSES AND INCOME TAX EXPENSE	<u>(22,244)</u>
OTHER INCOME (EXPENSE)	
Interest expense	(118)
Interest income	<u>174</u>
Total Other Income	<u>56</u>
LOSS BEFORE INCOME TAXES	<u>(22,188)</u>
INCOME TAX	<u>-</u>
NET LOSS	<u>\$ (22,188)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (1.73)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>12,800</u>

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

ABRAHAM & CO., INC.
Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2008

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>
			<u>Capital</u>	
Balance at December 31, 2007	12,800	\$ 12,800	\$ 114,993	\$ (62,228)
Net loss for year ended December 31, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,188)</u>
Balance at December 31, 2008	<u>12,800</u>	<u>\$ 12,800</u>	<u>\$ 114,993</u>	<u>\$ (84,416)</u>

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

ABRAHAM & CO., INC.
Statement of Cash Flows

	For the Year Ended December 31, <u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (22,188)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	903
Unrealized loss on marketable securities	117
Unrealized loss on investment in affiliate company	26,250
Changes in operating assets and liabilities:	
(Increase) in deposit with clearing organization	(174)
Decrease in commissions receivable	150
(Decrease) in accounts payable and accrued expenses	<u>(1,342)</u>
Net Cash Used by Operating Activities	<u>3,716</u>
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase of equipment	<u>(3,733)</u>
Net Cash Used by Investing Activities	<u>(3,733)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
	<u>-</u>
NET DECREASE IN CASH	(17)
CASH, BEGINNING OF YEAR	<u>1,408</u>
CASH, END OF YEAR	<u><u>\$ 1,391</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
CASH PAID FOR:	
Interest	\$ 118
Income taxes	\$ -

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

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Abraham & Co., Inc., a Washington corporation, is registered with the Securities and Exchange Commission as a broker/dealer under the Securities Exchange Act of 1934. The Company engages in the general retail securities business. It also provides management and administrative services to a related entity. The Company's source of customers is through its sole employee who is also the Company's sole stockholder. The Company has one office located in Gig Harbor, Washington.

All securities transactions, with the exception of concessions transactions, are cleared through another broker/dealer on a fully disclosed basis. The Company does not receive or hold funds of subscribers or securities of issuers, and does not hold customer funds or securities.

Income and Expense Recognition

The Company records income and expense on the accrual basis. Commission revenue and expense, net of clearing fees, are reflected in these financial statements on a trade date basis.

Securities Transactions

The Company has classified all marketable securities as trading securities pursuant to SFAS No. 115 *Accounting For Certain Investments In Debt And Equity Securities*. As such, all securities are carried at fair market value. Gains or losses are determined using a first-in-first-out valuation methodology. During the year ended December 31, 2008, the Company recorded an unrealized loss of \$117 on its marketable securities. The Company also recorded an unrealized loss of \$26,250 on its investment in an affiliate company.

Federal Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax assets are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

During 2007, the Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, without material impact to the financial statements.

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal Income Taxes (Continued)

The provision (benefit) for income taxes for the years ended December 31, 2008 consist of the following:

	2008
Federal:	
Current	\$ -
Deferred	-
State:	
Current	-
Deferred	-
	\$ -

The net deferred tax asset consists of the following components at December 31, 2008

	2008
Deferred tax assets:	
NOL carryover	\$ 10,300
Depreciation	(1,000)
Valuation allowance	(9,300)
Net deferred tax asset	\$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates of 15% to pretax income from continuing operations for the years ended December 31, 2008 due to the following:

	2008
Book loss	\$ (8,653)
Unrealized loss on marketable securities	10,283
Depreciation	(1,294)
Meals and entertainment	10
Net operating loss	(346)
	\$ -

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Company considers money market mutual funds and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents for purposes of the statement of cash flows.

Depreciation

Depreciation is provided on a straight-line basis using estimated useful lives of three years.

Receivable from Clearing Organization, Net

Amounts receivable from the Company's clearing organization consist of the net amounts receivable for commissions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 2 - BASIC LOSS PER SHARE

Basic income per share of common stock was computed by dividing the net loss by the weighted average number of common shares outstanding for the year. Diluted loss per share is not presented because the Company has not issued any potentially dilutive common shares. The weighted average number of common shares outstanding for the year ended December 31, 2008, was 12,800.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), 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. At December 31, 2008, the Company had net capital of \$16,166 which was \$11,166 in excess of its required net capital of \$5,000.

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2008

NOTE 4 - POSSESSION OR CONTROL REQUIREMENTS

The Company adheres to the exemptive provisions of SEC Rule 15c3-3 (k)(2)(ii) by sending all funds and securities to the correspondent broker/dealer who carries the customer accounts. Therefore, the Company does not hold or have any possession or control of customer funds or securities

NOTE 5 - RELATED PARTY TRANSACTIONS

The sole shareholder of the Company has a 23 percent ownership interest in, and is president of, another corporation. During the year ended December 31, 2008, the Company earned \$18,000 in administrative fees for services provided to this corporation.

ABRAHAM & CO., INC.
Schedule I
Computation under Rule 15c3-3 of the
Securities and Exchange Commission
December 31, 2008

COMPUTATION OF NET CAPITAL

Total stockholders' equity	\$ 43,377
Non-allowable assets:	
Fixed assets net of accumulated depreciation	(3,041)
Other deductions pursuant to subparagraph (c)(2)(i) of Rule 15c3-1	<u>(24,170)</u>
Net Capital	<u>\$ 16,166</u>

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition:

Accounts payable, accrued expenses, and other liabilities	<u>\$ 2,168</u>
Aggregate Indebtedness	<u>\$ 2,168</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6-2/3% of total aggregate indebtedness)	<u>\$ 145</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 5,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 5,000</u>
Net capital in excess of required minimum	<u>\$ 11,166</u>
Ratio: Aggregate indebtedness to net capital	<u>0.134 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital as reported in Company's Part II FOCUS report	\$ 16,248
Adjustments to accounts payable	<u>(82)</u>
Net Capital Per Above	<u>\$ 16,166</u>

ABRAHAM & CO., INC.
Schedule II
Computation under Rule 15c3-3 of the
Securities and Exchange Commission
December 31, 2008

EXEMPTIVE PROVISIONS

The Company has claimed an exemption from rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Southwest Securities, Inc.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL STRUCTURE REQUIRED BY SEC RULE 17A-5**

The Board of Directors
Abraham & Co., Inc.
Gig Harbor, Washington

In planning and performing our audit of the financial statements of Abraham & Co., Inc. for the year ended December 31, 2008, we considered its internal control structure including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission, we have made a study of the practices and procedures followed by the Company including 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 (or aggregate debits) and net capital under rule 17a-3(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, we 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 of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 Commission's above-mentioned objectives. Two of the objectives of an internal control structure 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 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 any internal control structure or the practices and procedures referred to above, errors or irregularities 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities in amount 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, we noted the following matter involving the control procedures that we consider to be a material weakness as defined above. This was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of Abraham & Co., Inc. for the year ended December 31, 2008.

One of the basic elements of a satisfactory system of internal control is an organization which provides appropriate segregation of duties. Because of the limited size of the Company, it is not possible for this to be achieved.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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 were adequate at December 31, 2008, to meet the Commission's objectives.

The report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange act of 1934, and should not be used for any other purpose.

HJ & Associates, LLC
Salt Lake City, Utah
February 16, 2009