

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8 - 37193



10027034

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 01/01/09 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Friedman, Luzzatto & Co.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

11755 Preston Road, Suite 510

(No. and Street)

Dallas  
(City)

Texas  
(State)

75254  
(Zip Code)

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

Barry L. Friedman

972-404-1011  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Brad A. Kinder, CPA

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

815 Parker Square  
(Address)

Flower Mound  
(City)

Texas  
(State)

75028  
(Zip Code)

Mail Processing  
Section

CHECK ONE:

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

FEB 26 2010

Washington, DC  
121

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).

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.

AB  
3/6

OATH OR AFFIRMATION

I, Barry L. Friedman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Friedman, Luzzatto & Co., as of December 31, 2009, 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



Brenda Bronaugh  
Notary Public

Barry Friedman  
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 Cash Flows.
- (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. **NONE**
- (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.
- (o) Independent auditor's report on the internal control as required by SEC rule 17a-5.

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

# FRIEDMAN, LUZZATTO & CO.

## CONTENTS

---

INDEPENDENT AUDITOR'S REPORT	1
------------------------------	---

---

### FINANCIAL STATEMENTS

Statement of financial condition	2
Statement of income	3
Statement of changes in stockholders' equity	4
Statement of cash flows	5
Notes to financial statements	6 - 9

---

### SUPPLEMENTARY SCHEDULE

I. Computation of net capital and aggregate indebtedness pursuant to Rule 15c3-1	10
--	----

---

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	11 - 12
--	---------

---

# BRAD A. KINDER, CPA

CERTIFIED PUBLIC ACCOUNTANT

815 PARKER SQUARE • FLOWER MOUND, TX 75028  
972-899-1170 • FAX 972-899-1172

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Friedman, Luzzatto & Co.

We have audited the accompanying statement of financial condition of Friedman, Luzzatto & Co. as of December 31, 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the year 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 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 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, 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 Friedman, Luzzatto & Co. as of December 31, 2009, 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 Schedule I 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 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.

  
BRAD A. KINDER, CPA

Flower Mound, Texas  
February 24, 2010

**FRIEDMAN, LUZZATTO & CO.**  
**Statement of Financial Condition**  
**December 31, 2009**

**ASSETS**

Cash and cash equivalents	\$ 131,220
Prepaid expenses	141
Deferred income tax asset	<u>62,478</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 193,839</u></u></b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Liabilities</b>	<b><u>\$ -</u></b>
--------------------	--------------------

**Stockholders' Equity**

Preferred stock, Series A, 1,000 shares authorized, \$0.01 par value, 1,000 shares issued and outstanding	10
Preferred stock, Series B, 233 shares authorized, \$0.01 par value, 233 shares issued and outstanding	2
Common stock, 1,000,000 shares authorized, no par value, 1,000 shares issued and outstanding	1,000
Additional paid-in capital	154,008
Retained earnings	<u>38,819</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>193,839</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u><u>\$ 193,839</u></u></b>

**FRIEDMAN, LUZZATTO & CO.**  
**Statement of Income**  
**Year Ended December 31, 2009**

**Revenue**

Consulting	\$ 2,500
Interest income	840
	<hr/>
TOTAL REVENUE	3,340

**Expenses**

Computer expenses	\$ 1,550
Overhead paid to related party	10,450
Professional fees	13,300
Regulatory fees	4,670
Other expenses	699
	<hr/>
TOTAL EXPENSES	30,669

Net income before income taxes	(27,329)
	<hr/>
Income tax expense - state	2,814
	<hr/>
<b>NET INCOME</b>	<b>\$ (30,143)</b>

**FRIEDMAN, LUZZATTO & CO.**  
**Statement of Changes in Stockholders' Equity**  
**Year Ended December 31, 2009**

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at December 31, 2008	\$ 12	\$ 1,000	\$ 154,008	\$ 68,962	\$ 223,982
Net loss		-	-	(30,143)	(30,143)
Balances at December 31, 2009	<u>\$ 12</u>	<u>\$ 1,000</u>	<u>\$ 154,008</u>	<u>\$ 38,819</u>	<u>\$ 193,839</u>

**FRIEDMAN, LUZZATTO & CO.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2009**

**Cash flows from operating activities:**

Net loss	\$ (30,143)
Adjustments to reconcile net loss to net cash used in operating activities:	
Change in operating assets and liabilities	
Decrease in prepaid expenses	16
Decrease in accounts payable	<u>(3,414)</u>
Net cash used in operating activities	<u>(33,541)</u>
Net decrease in cash and cash equivalents	(33,541)
Cash and cash equivalents at beginning of year	<u>164,761</u>
Cash and cash equivalents at end of year	<u><u>\$ 131,220</u></u>

**Supplemental Disclosures of Cash Flow Information:**

Cash paid during the year for:

Interest	<u>\$ -</u>
Income taxes - state	<u>\$ 2,814</u>

FRIEDMAN, LUZZATTO & CO.  
Notes to Financial Statements  
December 31, 2009

**Note 1 - Nature of Business and Summary of Significant Accounting Policies**

Organization and Nature of Business

Friedman, Luzzatto & Co. (the "Company") was organized in December 1986 as a Texas corporation. The Company is a broker/dealer in securities registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

The Company operates pursuant to section (k)(2)(i) exemptive provisions of Rule 15c3-3 of the Securities Exchange Act of 1934, and accordingly, is exempt from the remaining provisions of that Rule. The Company does not hold customer funds or securities. Under these exemptive provisions, the Computation for Determination of Reserve Requirements and Information Relating to the Possession and Control Requirements are not required.

The Company provides municipal bond placement agent services, financial advisory services and consulting to state and local governments nationwide.

Significant Accounting Policies:

Basis of Accounting

On July 1, 2009, the Accounting Standards Codification (ASC) became the Financial Accounting Standards Board's (FASB) officially recognized source of authoritative U.S. generally accepted accounting principles (GAAP) applicable to all non-governmental entities in the preparation of financial statements except for rules and interpretive releases of the Securities and Exchange Commission (SEC), which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the ASC was superseded and became non-authoritative. This ASC is effective for financial statements issued for fiscal years ending after September 15, 2009. As the ASC was not intended to change or alter existing GAAP, it did not have an impact on the Company's financial statements other than for those standards applicable to the Company issued thereafter.

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.

FRIEDMAN, LUZZATTO & CO.  
Notes to Financial Statements  
December 31, 2009

**Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)**

Fair Value of Financial Instruments

Cash and cash equivalents are short-term in nature and accordingly are recorded at fair value or amounts that approximate fair value.

Cash Equivalents

Money market funds are reflected as cash equivalents in the accompanying statement of financial condition and for purposes of the statement of cash flows.

Revenue Recognition

Placement fees, advisory fees and consulting revenue are recognized during the period in which the services are rendered.

Income Taxes

The Company has adopted financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The Company has reviewed all open tax years and concluded that there is no impact on the Company's financial statements and no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. As of December 31, 2009, open federal tax years include the tax years ended December 31, 2006 through December 31, 2008.

The Company is subject to various state income taxes.

FRIEDMAN, LUZZATTO & CO.  
Notes to Financial Statements  
December 31, 2009

**Note 2 - Net Capital Requirements**

The Company is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2009, the Company had net capital and net capital requirements of \$128,777 and \$100,000, respectively. The Company's ratio of aggregate indebtedness to net capital was 0 to 1.

**Note 3 - Preferred Stock**

The Series A Preferred Stock entitles its holders to a 4% dividend which compounds annually on paid-in consideration of \$10. No dividends have been declared on the Series A Preferred Stock since its issuance. The holders are also entitled to a liquidating distribution of \$150 per share before any distribution to the holders of the Company's common stock.

The Series B Preferred Stock is on liquidation parity with the Series A Preferred Stock. The Series B Preferred Stock entitles its holders to a 4% dividend which compounds annually on paid in consideration of \$35,000. No dividends have been declared on the Series B Preferred Stock since its issuance. The holders are also entitled to a liquidating distribution of \$150 per share before any distribution to the holders of the Company's common stock. As of December 31, 2009, \$28,032 of cumulative dividends are in arrears on Series B Preferred Stock (\$120 per share).

**Note 4 - Related Party Transactions/Concentration of Revenues**

The Company has historically earned placement fees, advisory fees and consulting revenue from programs in which a corporate shareholder acted as the corporate lessor. The Company earned \$2,500 in consulting revenue in a transaction with a related party, which represents approximately 75% of the Company's total revenue.

The Company, under a one year services agreement, effective January 1, 2008, with a corporate shareholder, which automatically renews on an annual basis unless terminated by either party, incurred overhead expenses of \$10,450. The agreement requires the related party to provide support services and office facilities. The Company also reimbursed such related party \$746 for expenses paid on the Company's behalf. There is no payable to this related party.

FRIEDMAN, LUZZATTO & CO.  
Notes to Financial Statements  
December 31, 2009

**Note 5 - Income Taxes**

The provision (benefit) for income tax was comprised of the following:

Current:	
Federal	\$ 0
State	<u>2,814</u>
	<u>2,814</u>
Deferred:	
Federal	0
State	<u>0</u>
	<u>0</u>
Income tax expense	<u>\$ 2,814</u>

The Company has a current year loss, therefore, there is no provision for current federal income taxes. The Company has a federal net operating loss carry forward of approximately \$216,000, which begins expiring in 2024. This net operating loss carry forward creates a deferred tax asset of \$62,478.

**Note 6 - Concentration of Credit Risk**

The Company has money market funds held by and due from a national broker dealer of \$122,137, which represents approximately 63% of total assets.

**Note 7 - Subsequent Events**

The Company has evaluated subsequent events through February 24, 2010, the date on which the financial statements were available to be issued.

**Schedule I**

**FRIEDMAN, LUZZATTO & CO.**  
**Computation of Net Capital and Aggregate**  
**Indebtedness Pursuant to Rule 15c3-1**  
**December 31, 2009**

Total stockholders' equity qualified for net capital	<u>\$ 193,839</u>
Deductions and/or charges	
Non-allowable assets:	
Prepaid expenses	141
Deferred income tax asset	<u>62,478</u>
Total deductions and/or charges	<u>62,619</u>
Net capital before haircuts on securities positions	<u>131,220</u>
Haircuts on securities:	
Cash equivalents	<u>2,443</u>
Net Capital	<u><u>\$ 128,777</u></u>
Aggregate indebtedness	
Items included in statement of financial condition	<u>\$ -</u>
Total aggregate indebtedness	<u><u>\$ -</u></u>
Computation of basic net capital requirement	
Minimum net capital required (greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 100,000</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 28,777</u></u>
Ratio: Aggregate indebtedness to net capital	<u><u>0 to 1%</u></u>

Note: The above computation does not differ from the computation of net capital under Rule 15c3-1 as of December 31, 2009 as filed by Friedman, Luzzatto & Co. on Form X-17A-5. Accordingly, no reconciliation is deemed necessary.

# BRAD A. KINDER, CPA

CERTIFIED PUBLIC ACCOUNTANT

815 PARKER SQUARE • FLOWER MOUND, TX 75028  
972-899-1170 • FAX 972-899-1172

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17A-5(G)(1)

Board of Directors  
Friedman, Luzzatto & Co.

In planning and performing our audit of the financial statements of Friedman, Luzzatto & Co. (the Company), as of and for the year ended December 31, 2009 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 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 and recordation of differences required by rule 17a-13
2. 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 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 and 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 did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

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, 2009, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, 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.

  
BRAD A. KINDER, CPA

Flower Mound, Texas  
February 24, 2010