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

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Washington DC
402

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 01/01/12 AND ENDING 12/31/12
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.)

14755 Preston Road, Suite 515

(No. and Street)

Dallas
(City)

Texas
(State)

75254
(Zip Code)

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

Laura 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)

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).

SEC 1410 (06-02)

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3/4/13

OATH OR AFFIRMATION

I, Laura 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, 2012, 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



Laura Friedman
Signature
Chief Executive Officer
Title

Brenda Lake
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 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.
- (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.

*The Company is exempt from filing of the SIPC Supplemental Report as net operating revenues are less than \$500,000.

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

FRIEDMAN, LUZZATTO & CO.

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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.

Report on the Financial Statements

We have audited the accompanying statement of financial condition of Friedman, Luzzatto & Co. (the Company) as of December 31, 2012, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedule I has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedule I is fairly stated in all material respects in relation to the financial statements as a whole.

Flower Mound, Texas
February 20, 2013


BRAD A. KINDER, CPA

FRIEDMAN, LUZZATTO & CO.
Statement of Financial Condition
December 31, 2012

ASSETS

Cash and cash equivalents	\$ 40,927
Prepaid expenses	312
Clearing deposit	100,229
Property and equipment, net of accumulated depreciation and amortization of \$1,537	13,525
TOTAL ASSETS	\$ 154,993

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Accounts payable and accrued expenses	\$ 1,208
Payable to clearing broker-dealer	1,091
TOTAL LIABILITIES	2,299

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	195,008
Retained deficit	(43,326)
TOTAL STOCKHOLDERS' EQUITY	152,694
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 154,993

FRIEDMAN, LUZZATTO & CO.
Statement of Income
Year Ended December 31, 2012

Revenue

Municipal bond underwriting	\$ 243,744
Interest income	<u>25</u>
TOTAL REVENUE	<u>243,769</u>

Expenses

Clearing and execution expense	\$ 21,982
Compensation and related costs	206,086
Communications	1,800
Depreciation and amortization	635
Dues and subscriptions	11,481
Insurance expense	1,719
Overhead expenses related party	4,500
Professional fees	22,102
Regulatory fees	5,178
Rent	8,191
Utilities	708
Other expenses	<u>2,450</u>
TOTAL EXPENSES	<u>286,832</u>
Net loss before income taxes	(43,063)
Income taxes - state	<u>2,294</u>
NET LOSS	<u><u>\$ (45,357)</u></u>

FRIEDMAN, LUZZATTO & CO.
Statement of Changes in Stockholders' Equity
Year Ended December 31, 2012

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Balances at December 31, 2011	\$ 12	\$ 1,000	\$154,008	\$ 2,031	\$ 157,051
Capital contributed			41,000		41,000
Net loss		-		(45,357)	(45,357)
Balances at December 31, 2012	<u>\$ 12</u>	<u>\$ 1,000</u>	<u>\$195,008</u>	<u>\$ (43,326)</u>	<u>\$ 152,694</u>

FRIEDMAN, LUZZATTO & CO.
Statement of Cash Flows
Year Ended December 31, 2012

Cash Flows From Operating Activities:

Net loss	\$ (45,357)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	635
Change in operating assets and liabilities	
Decrease in receivable from clearing broker-dealer	1,660
Decrease in income taxes receivable	19,768
Decrease in prepaid expenses	64
Decrease in accounts payable and accrued expenses	(1,399)
Increase in payable to clearing broker-dealer	<u>2</u>
Net cash used in operating activities	<u>(24,627)</u>

Cash Flows From Investing Activities:

Purchase of property and equipment	<u>(12,897)</u>
------------------------------------	-----------------

Cash Flows From Financing Activities:

Capital contributed	<u>41,000</u>
Net increase in cash and cash equivalents	3,476
Cash and cash equivalents at beginning of year	<u>37,451</u>
Cash and cash equivalents at end of year	<u><u>\$ 40,927</u></u>

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:

Interest	<u><u>\$ -</u></u>
Income taxes - state	<u><u>\$ 2,294</u></u>

FRIEDMAN, LUZZATTO & CO.
Notes to Financial Statements
December 31, 2012

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

Nature of Business;

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

The Company operates under the exemptive provisions of Rule 15c3-3(k)(2)(i) 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 and clears all transactions on behalf of customers on a fully disclosed basis through a clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

The Company's operations consist primarily in providing municipal bond underwriting and placement agent services, financial advisory services and consulting to state and local governments nationwide.

Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Cash Equivalents and Statement of Cash Flows

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

Fair Value of Financial Instruments

Substantially all of the Company's financial asset and liability amounts reported in the statement of financial condition are short term in nature and approximate fair value.

FRIEDMAN, LUZZATTO & CO.
Notes to Financial Statements
December 31, 2012

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

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of three years.

Revenue Recognition

Underwriting and placement services revenue are recorded during the period in which the transactions are completed and the income is determinable.

Advisory and consulting fees are recognized during the period the services are rendered.

Income Taxes

As of December 31, 2012, open Federal tax years subject to examination include the tax years ended December 31, 2009 through December 31, 2011.

The Company is also subject to various state income taxes.

Note 2 - Property and Equipment

Property and equipment consists of the following:

Computer equipment	\$ 2,165
Telephone system	1,001
Leasehold improvements	<u>11,895</u>
	\$15,061
Less accumulated depreciation and amortization	<u>(1,536)</u>
	<u>\$ 13,525</u>

FRIEDMAN, LUZZATTO & CO.
Notes to Financial Statements
December 31, 2012

Note 3 - Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (SEC 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. 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, 2012, the Company had net capital of \$138,432, which was \$38,432 in excess of its required net capital of \$100,000. The Company's net capital ratio was .02 to 1.

Note 4 - 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, 2012, \$35,902 of cumulative dividends are in arrears on Series B Preferred Stock (\$154 per share).

Note 5 - Related Party Transactions

The Company had a Services Agreement with its corporate shareholder. Under the Agreement the Company incurred \$500 a month for the allocation of monthly overhead for office facilities, personal property and support services. The overhead expenses incurred under this Agreement totaled \$4,500. The Agreement was terminated as of September 30, 2012.

Note 6 - Income Taxes

The Company incurred a tax loss for the year, therefore, there is no provision for current federal income taxes. The Company has a net operating loss carry forward of approximately \$235,000 available to offset future taxable income, which begins expiring in 2031. The net operating loss carry forward creates a deferred tax asset of approximately \$59,000; which is fully reserved with a valuation allowance; therefore, there is no deferred tax asset recognized in the accompanying statement of financial condition.

FRIEDMAN, LUZZATTO & CO.
Notes to Financial Statements
December 31, 2012

Note 7 - Concentration of Credit Risk

The Company has a clearing deposit held by its clearing broker-dealer of \$100,229 or approximately 65% of the Company's total assets at December 31, 2012.

Note 8 - Commitments and Contingencies

The Company leases office facilities in Dallas, Texas under a non-cancellable operating lease expiring in August, 2015. Future minimum lease commitments for each of the years ending December 31, are as follows:

2013	\$ 33,056
2014	33,944
2015	<u>23,024</u>
	<u>\$90,024</u>

The Company is required to pay minimum monthly clearing charges to its clearing broker-dealer, currently, \$1,000 a month.

Note 9 - Subsequent Events

The Company's corporate shareholder contributed \$10,000 in January 2013 and \$10,000 in February 2013 as additional capital.

Management has evaluated the Company's events and transactions that occurred subsequent to December 31, 2012, through February 20, 2013, the date the financial statements were available to be issued.

Schedule I

Friedman, Luzzatto & Co. Supplementary Information Pursuant to Rule 17a-5 December 31, 2012

Computation of Net Capital

Total stockholders' equity qualified for net capital	<u>\$ 152,694</u>
Deductions / charges	
Non-allowable assets:	
Prepaid expenses	312
Property and equipment, net	<u>13,525</u>
Total deductions / charges	<u>13,837</u>
Net Capital before haircuts on securities positions	<u>138,857</u>
Haircuts on securities:	
Cash equivalents	<u>425</u>
Net Capital	<u><u>\$ 138,432</u></u>
Aggregate indebtedness	
Accounts payable and accrued expenses	\$ 1,208
Payable to clearing broker-dealer	<u>1,091</u>
Total aggregate indebtedness	<u><u>\$ 2,299</u></u>
Computation of basic net capital requirement	
Minimum net capital required (greater of \$100,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 100,000</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 38,432</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>.02 to 1</u></u>

Reconciliation of Computation of Net Capital

The above computation does not differ from the computation of net capital under Rule 15c3-1 as of December 31, 2012 as filed by Friedman, Luzzatto & Co. on Form X-17A-5. Accordingly, no reconciliation is necessary.

Schedule I, continued

**Friedman, Luzzatto & Co.
Supplementary Information
Pursuant to Rule 17a-5
December 31, 2012**

Statement of Changes in Liabilities Subordinated to Claims of General Creditors

No statement is required as no subordinated liabilities existed at any time during the year.

Statement Regarding Reserve Requirements and Possession or Control Requirements

The Company operates pursuant to section (k)(2)(i) exemptive provisions of Rule 15c3-3 of the Securities Exchange Act of 1934. Under these exemptive provisions, the Computation of Determination of the Reserve Requirements and Information Relating to the Possession or Control Requirements are not required.

SIPC Supplemental Report

The Company is exempt from the filing of the SIPC Supplemental Report as net operating revenues are less than \$500,000.

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) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

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, 2012, 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 previously 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 *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 previously.

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, 2012, 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, 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 by anyone other than these specified parties.


BRAD A. KINDER, CPA

Flower Mound, Texas
February 20, 2013