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

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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 01/01/2017 AND ENDING 12/31/2017  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **B.B. Graham & Co., Inc.**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

**1700 W. Katella Ave.**

(No. and Street)

**Orange**

**CA**

**92867**

(City)

(State)

(Zip Code)

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

Bruce Graham 714-628-5200

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Joseph Yafeh, CPA**

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

**1133 W. Olympic Blvd. #875 Los Angeles**

**CA**

**90064**

(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)

SEC 1410 (06-02)

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*[Handwritten signature]*

OATH OR AFFIRMATION

I, Bruce Graham, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of B.B. Graham & Co., Inc.

of December, 2017, 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



[Handwritten Signature]

Signature

President / CEO

Title

[Handwritten Signature]
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).

**B.B. Graham & Company, Inc.**  
**Report Pursuant to Rule 17a-5 (d)**  
**Financial Statements**  
**For the Year Ended December 31, 2017**

**Joseph Yafeh CPA, Inc.**  
*A Professional Accounting Corporation*  
PCAOB Registered # 3346  
11300 W. Olympic Blvd., Suite 875  
Los Angeles CA 90064  
310-477-8150 ~ Fax 310-477-8152

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders  
of B.B. Graham & Company, Inc.

**Opinion on the Financial Statements**

I have audited the accompanying statement of financial condition of B.B. Graham & Company, Inc. as of December 31, 2017, the related statements of income, changes in shareholders' equity, and cash flows for the year then ended, and the related notes and schedules. In my opinion, the financial statements present fairly, in all material respects, the financial position of B.B. Graham & Company, Inc. as of December 31, 2017, 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.

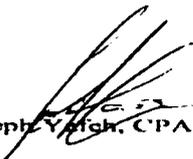
**Basis for Opinion**

These financial statements are the responsibility of B.B. Graham & Company, Inc.'s management. My responsibility is to express an opinion on B.B. Graham & Company, Inc.'s financial statements based on my audit. I am a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and am required to be independent with respect to B.B. Graham & Company, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

I conducted my audit in accordance with the standards of the PCAOB. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. My audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. My audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that my audit provides a reasonable basis for my opinion.

**Supplemental Information**

The financial statement has been subjected to audit procedures performed in conjunction with the audit of B.B. Graham & Company, Inc.'s financial statements. The supplemental information is the responsibility of B.B. Graham & Company, Inc.'s management. My audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming my opinion on the supplemental information, I evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In my opinion, the financial statement is fairly stated, in all material respects, in relation to the financial statements as a whole.



Joseph Yafeh, CPA

I have served as B.B. Graham & Company Inc.'s auditor since 2007  
Los Angeles, California  
February 26, 2018

**BB Graham & Company, Inc.**  
**Statement of Financial Condition**  
**December 31, 2017**

**Assets**

<b>Cash</b>		
Checking and savings		\$ 108,761
Money market		179,616
Total cash		<u>288,377</u>
Clearing broker deposit		50,000
Commissions receivable		224,373
Other receivable - allowable		13,189
Other receivable - non allowable		2,514
Prepaid expenses		29,947
Office equipment net of accumulated depreciation of \$6,877		<u>-</u>
Total Assets		<u><u>\$ 608,400</u></u>

**Liabilities and Shareholder's Equity**

<b>Liabilities</b>		
Accrued expenses		\$ 11,197
Commissions payable		279,725
Credit card payable		1,448
Due to FINRA		16,878
Due to secondary broker		33,596
Salary and payroll taxes payable		<u>24,284</u>
<b>Total Liabilities</b>		367,128
 <b>Shareholder's Equity</b>		
Common stock \$1 par value, 100,000 shares authorized and issued; 11,000 shares outstanding)	\$ 100	
Paid-in capital	259,900	
Retained earnings (deficit)	<u>(18,728)</u>	<u>241,272</u>
<b>Total Liabilities and Shareholder's Equity</b>		<u><u>\$ 608,400</u></u>

See accompanying notes to financial statements

**BB Graham & Company, Inc.**  
**Statement of Income**  
**For the Year Ended December 31, 2017**

**Revenue**

Commissions	\$ 1,581,077
Mutual funds	1,235,642
Insurance	1,519,440
Managed fee income	1,195,798
Interest income	112,194
Other income	<u>52,289</u>
 Total Revenue	 <u>5,696,440</u>

**Expenses**

Commission expense	3,904,063
Salaries, wages and related expenses	1,024,110
Clearing fees net of reimbursement	(7,364)
E-mail capturing service	18,566
FINRA fees	81,620
Insurance expense	119,984
Interest expense	4,452
Office expense	17,072
Professional fees	32,195
Rent and storage	213,000
Taxes and licenses	6,621
Technology fees	73,566
Telephone	36,064
Travel and entertainment	28,658
All other expenses	<u>69,170</u>
 Total Expenses	 <u>5,621,777</u>

**Income Before Tax Provision** 74,663

Income Tax Provision 800

**Net Income** \$ 73,863

See accompanying notes to financial statements

**BB Graham & Company, Inc.**  
**Statement of Changes in Shareholder's Equity**  
**For the Year Ended December 31, 2017**

	Common Stock Shares	Common Stock	Paid-In Capital	Retained Earnings (Deficit)	Total
Balance, December 31, 2016	-	\$ 100	\$ 259,900	\$ (92,591)	\$ 167,409
Net Income				73,863	73,863
Balance, December 31, 2017	-	\$ 100	\$ 259,900	\$ (18,728)	\$ 241,272

See accompanying notes to financial statements

**BB Graham & Company, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

Cash Flows from Operating Activities:	
Net income	\$ 73,863
Changes in operating assets and liabilities:	
Commissions receivable	89,632
Other receivable	8,365
Prepaid expenses	(13,675)
Bank overdraft	(586)
Accrued expenses	1,175
Commissions payable	9,977
Credit card payable	(3,148)
Due to FINRA	(49,571)
Due to secondary broker	(97,404)
Salaries and payroll taxes payable	3,731
SIPC payable	(2,705)
Net cash provided (used) by operating activities	<u>19,654</u>
Cash Flows for Acquisition Activities:	
Cash Flows for Acquisition Activities	<u>-</u>
Cash Flows for Investing Activities:	
Cash Flows from Investing Activities	<u>-</u>
Net increase in cash	19,654
Cash - beginning of the year	<u>268,723</u>
Cash - end of the year	<u><u>\$ 288,377</u></u>
Supplemental Cash Flow Information	
Cash paid for interest	<u>\$ 4,452</u>
Cash paid for income tax	<u>\$ 800</u>

See accompanying notes to financial statements

**B.B. Graham & Company, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 1 – Organization and Nature of Business**

B.B. Graham & Company, Inc. (the “Company”) has been approved as a registered broker-dealer with the Securities and Exchange Commission under SEC Rule 15(b) as of August 8, 1996. The Company was incorporated in June 1996, and its membership in the NASD was approved May 1997. The NASD and NYSE Member Regulation consolidated in 2007 to form the Financial Industry Regulatory Agency (“FINRA”). The Company entered into an agreement with a clearing broker whereby the Company does not carry customer accounts. The Company introduces and forwards, as a broker, all transactions and accounts of customers to the clearing broker who carries such accounts on a fully disclosed basis. The Company forwards all funds and securities received in connection with its activities as a broker or dealer directly to the clearing broker and does not hold funds or securities for or owe funds or securities to customers.

Certain brokers (secondary clearing) clear their transactions through the Company and its clearing broker.

The Company has offices in California, Florida, Illinois, Iowa, Maryland, Minnesota, Missouri, Nebraska, New York, Oklahoma, and Texas.

**Note 2 – Significant Accounting Policies**

**Basis of Presentation** – The Company conducts business on a fully disclosed basis. The Company does not hold customer funds and/or securities. The Company currently conducts several types of business as a securities broker-dealer, including:

- Broker or dealer retailing corporate equity securities over-the-counter
- Broker or dealer selling corporate debt securities
- Underwriter or selling group participant (corporate securities other than mutual funds)
- Mutual fund retailer
- U.S. government securities broker
- Municipal securities dealer
- Broker or dealer selling variable life insurance or annuities
- Solicitor of time deposits in a financial institution
- Broker or dealer selling oil and gas interests
- Put and call broker or dealer or option writer
- Investment advisory services
- Broker or dealer selling tax shelters or limited partnerships in the secondary market
- Private placements of securities
- Broker or dealer selling interests in mortgages or other receivables

Under its membership agreement with FINRA and pursuant to Rule 15c3 (k) (2) (ii), the Company conducts business on a fully disclosed basis and does not execute or clear securities transactions for customers. Accordingly, the Company is exempt from the requirement of Rule 15c3-3 under the Securities Exchange Act of 1934 pertaining to the possession or control of customer assets and reserve requirements.

**B.B. Graham & Company, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 2 – Significant Accounting Policies (continued)**

**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 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.

**Revenue Recognition** – Based upon the income reported, the commissions earned from the sale of mutual funds and investment company shares represent the major portion of the business and are recognized as earned. Securities trades are reported as of trade date.

**Income Taxes** – The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

The accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Company in its Federal and State organization tax returns are more likely than not to be sustained upon examination. The Company is subject to examinations by U.S. Federal and State tax authorities from 2014 to the present, generally for three years after they are filed.

**Depreciation** – Depreciation is calculated on the accelerated method over estimated economic lives. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Property and equipment are carried at cost.

**Statement of Changes in Financial Condition** – The Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months that are not held for sale in the ordinary course of business.

**Note 3 - Fair Value**

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

**Note 4 – Receivable From and Payable to Broker-Dealers and Clearing Organizations**

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2017, consist of the following:

	<b>Receivable</b>	<b>Payable</b>
Fees and commissions receivable/payable	\$224,373	\$ 0

**B.B. Graham & Company, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 5 – Related Party/Expense Sharing Agreement**

The Company's sole shareholder purchased an office building and entered into a lease agreement to rent part of the building to the Company at \$17,000 per month. For the year 2017 the rent paid to the sole shareholder was \$204,000. In addition, the Company paid to the sole owner \$9,000 during the year for separate storage space. Furthermore, the Company received \$750 per month as technology fee income from an affiliated company, as well as a quarterly payment of \$1,250 for trademark usage/licensing. In 2017 the total from the affiliated company was \$14,000. Also in 2017, the Company was reimbursed by the affiliate for its portion of the E & O insurance premiums, totaling \$8,170.

**Note 6 - Concentration of Credit Risk**

The Company is engaged in various trading and brokerage activities in which counter-parties primarily include broker-dealers, banks, and other financial institutions. In the event counter-parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

**Note 7 – Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 5c3-1) 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. Net capital and aggregate indebtedness change day by day, but on December 31, 2017, the Company had net capital of \$205,219 which was \$180,743 in excess of its required net capital requirement of \$24,476. The Company's aggregate indebtedness of \$367,128 to net capital was 1.79 to 1.

**Note 8 – Provision for Income Taxes**

The Company files its Federal tax return on the cash basis. The provision for income taxes for the year consists of the following:

Federal	\$ 0
State	<u>800</u>
	<u>\$ 800</u>

**Note 9 – Deposit – Clearing Organization**

The Company has an agreement with a clearing broker which requires a minimum deposit of \$50,000. The clearing broker deposit at December 31, 2017 was \$50,000.

**B.B. Graham & Company, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 10 – Exemption from the SEC Rule 15c3-3**

The Company is an introducing broker-dealer that clears all transactions with and for customers on a fully disclosed basis with an independent securities clearing company and promptly transmits all customer funds and securities to the clearing company, which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of the SEC Rule 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

**Note 11 – Leases**

The Company leases office space and storage space from a related party. For 2017, rent expense was \$213,000, all of which was paid to a related party (see Note 5).

**Note 12 – Subsequent Events**

Management has reviewed the results of operations for the period of time from its year end December 31, 2017 through February 26, 2018, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**BB Graham & Company, Inc.**  
**Schedule I - Computation of Net Capital Requirement**  
**Pursuant to Rule 15c3-1**  
**December 31, 2017**

Computation of Net Capital	
Total ownership equity from statement of financial condition	\$ 241,272
Less - non allowable assets:	
Non allowable portion of accounts receivable	(2,514)
Prepaid expenses	(29,947)
Haircut	(3,592)
Net Capital	<u>\$ 205,219</u>
Computation of Net Capital Requirements	
Minimum net aggregate indebtedness - 6.67% of net aggregate indebtedness	<u>\$ 24,476</u>
Minimum dollar net capital required	<u>\$ 5,000</u>
Net Capital required (greater of above amounts)	<u>\$ 24,476</u>
Excess Capital	<u>\$ 180,743</u>
Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	<u>\$ 168,506</u>
Computation of Aggregate Indebtedness	
Total liabilities	<u>\$ 367,128</u>
Aggregate indebtedness to net capital	1.79
Reconciliation	
The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):	
Net Capital per Company's Computation	\$ 200,968
Variance	
Adjustment to liabilities	4,251
Net Capital per Audit Report	<u><u>\$ 205,219</u></u>

See accompanying notes to financial statements

**B.B. Graham & Company, Inc.**  
**Schedule II – Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of December 31, 2017**

A computation of reserve requirement is not applicable to BB Graham & Company, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (2) (ii).

**B.B. Graham & Company, Inc.**  
**Schedule III – Information Relating to Possession or Control**  
**Requirements under Rule 15c3-3**  
**As of December 31, 2017**

Information relating to possession or control requirements is not applicable to B.B. Graham & Company, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (2) (ii).

**Joseph Yafeh CPA, Inc.**  
*A Professional Accounting Corporation*  
PCAOB Registered # 3346  
11300 W. Olympic Blvd., Suite 875  
Los Angeles CA 90064  
310-477-8150 ~ Fax 310-477-8152

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
EXEMPTION REPORT REVIEW

To the Board of Directors and Shareholders  
of B.B. Graham & Company, Inc.

I have reviewed management's statements, included in the accompanying Exemption Report Review, in which (1) B.B. Graham & Company, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which B.B. Graham & Company, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3: (2)(ii) (the "exemption provisions") and (2) B.B. Graham & Company, Inc. stated that B.B. Graham & Company, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. B.B. Graham & Company, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

My review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about B.B. Graham & Company, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.



Joseph Yafeh, CPA

Los Angeles, California  
February 26, 2018

**Exemption Request Form**

January 2, 2018

Joseph Yafeh, CPA  
11300 W. Olympic Blvd, Suite 875  
Los Angeles, CA 90064

Re: SEA Rule 17a-5(d) (+) Exemption Report

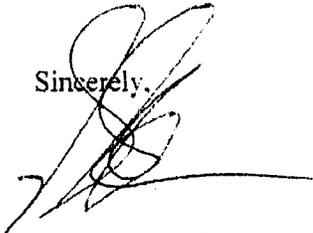
Dear Mr. Yafeh:

Pursuant to the referenced rule, the following information is provided.

Under its membership agreement with FINRA and pursuant to Rule 15c3-3(k)(2)(ii), the Company conducts business on a fully disclosed basis and does not execute or clear securities transactions for customers.

B.B. Graham & Company met the Section 240.15c3-3(k)(2)(ii) exemption for the period January 1, 2017 through December 31, 2017.

Sincerely,



Bruce Edwin Graham, President