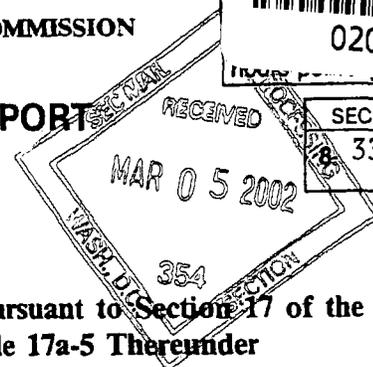


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



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



SEC FILE NUMBER  
33559

3/8/02

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Phase II Financial, Ltd.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

125 Broad Street

(No. and Street)

New York

NY

10004

(City)

(State)

(Zip Code)

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

Albert G. Lowenthal

(212) 668-5782

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Sullivan, Bleakley & Company, LLP

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

116 W. Baltimore Avenue

Media

PA

19063

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 21 2002

FOR OFFICIAL USE ONLY

THOMSON  
FINANCIAL

\*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).

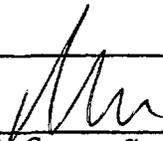
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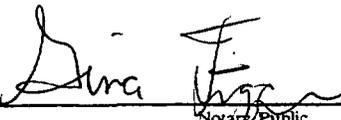
OATH OR AFFIRMATION

I, Albert G. Lowenthal, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Phase II Financial, Ltd., as of

December 31, 2001 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Albert G. Signature Lowenthal  
General Partner  
Title

  
Notary Public

GINA FIGGIANI  
Notary Public, State of New York  
No. 01FI6018187  
Qualified in Kings County  
Commission Expires 01/04/03

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 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.

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

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

SULLIVAN, BRANTLEY & COMPANY, LLP

70

ADDRESS      Number and Street      City      State      Zip Code

116 W. BALTIMORE AVE      71      MD/A      72      PA      73      19063      74

Check One

- Certified Public Accountant      75
- Public Accountant      76
- Accountant not resident in United States or any of its possessions      77

FOR SEC USE

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DO NOT WRITE UNDER THIS LINE ... FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

SULLIVAN, BLEAKLEY & COMPANY, LLP

*Certified Public Accountants*

JOSEPH M. SULLIVAN, CPA  
RALPH E. BLEAKLEY, CPA

MEMBERS  
PENNA. INSTITUTE OF CPAs  
AMERICAN INSTITUTE OF CPAs

116 W. BALTIMORE AVENUE  
MEDIA, PA 19063  
(610) 565-8810  
FAX (610) 565-6074  
Email: sbccpa@bigplanet.com

February 16, 2002

To the Partners of  
Phase II Financial, Ltd.  
New York, New York

We have audited the accompanying Statement of Financial Condition of Phase II Financial, Ltd. as of December 31, 2001 and the related Statements of Income and Expense, Ownership Equity and Statement of Cash Flows for the year then 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 generally accepted auditing standards accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Phase II Financial, Ltd. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles accepted in the United States of America.

Respectfully submitted,

*Sullivan, Bleakley & Company, LLP*

**FORM  
X-17A-5**

**FOCUS REPORT**

(Financial and Operational Combined Uniform Single Report)

**PART IIA** 12

3/78

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s):

1) Rule 17a-5(a)  16

2) Rule 17a-5(b)  17

3) Rule 17a-11  18

4) Special request by designated examining authority  19

5) Other  26

NAME OF BROKER-DEALER

Phase II Financial, Ltd. 13

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

125 Broad Street 20

(No. and Street)

New York 21

(City)

NY 22

(State)

10004 23

(Zip Code)

SEC FILE NO.

8-33559 14

FIRM ID. NO.

16249 15

FOR PERIOD BEGINNING (MM/DD/YY,

01-01-2001 24

AND ENDING (MM/DD/YY)

12-31-2001 25

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

Albert G. Lowenthal, General Partner 30

(Area Code)—Telephone No.

(212) 668-5782 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

36

38

OFFICIAL USE

33

35

37

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41

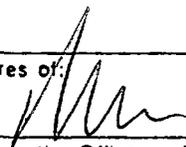
CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_

Manual signatures of:

1)  \_\_\_\_\_  
Principal Executive Officer or Managing Partner

2) \_\_\_\_\_  
Principal Financial Officer or Partner

3) \_\_\_\_\_  
Principal Operations Officer or Partner

**ATTENTION**—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**

Phase II Financial, Ltd.

**N 3**

**100**

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND  
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) 12-31-2001 99  
 SEC FILE NO. 8-33559 98  
 Consolidated 198  
 Unconsolidated 199

**ASSETS**

	<u>Allowable</u>		<u>Non-Allowable</u>		<u>Total</u>
1. Cash .....	\$ 16,825	200			\$ 16,825 750
2. Receivables from brokers or dealers:					
A. Clearance account .....	4,156,069	295			
B. Other .....		300		550	4,156,069 810
3. Receivables from non-customers .....		355	94	600	94 830
4. Securities and spot commodities owned, at market value					
A. Exempted securities .....		418			
B. Debt securities .....		419			
C. Options .....		420			
D. Other securities .....	777,365	424			
E. Spot commodities .....		430			777,365 850
5. Securities and/or other investments not readily marketable					
A. At cost \$ <u>10,149,272</u> <span style="float:right">130</span>					
B. At estimated fair value .....		440	69,273,845	610	69,273,845 860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value		460		630	880
A. Exempted securities \$ <span style="float:right">150</span>					
B. Other securities \$ <span style="float:right">160</span>					
7. Secured demand notes market value of collateral		470		640	890
A. Exempted securities \$ <span style="float:right">170</span>					
B. Other securities \$ <span style="float:right">180</span>					
8. Memberships in exchanges					
A. Owned, at market \$ <span style="float:right">190</span>					
B. Owned, at cost .....				650	
C. Contributed for use of the company, at market value .....				660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....		480		670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....		490		680	920
11. Other assets .....		535		735	930
12. <b>TOTAL ASSETS</b> .....	\$ 4,950,259	540	\$ 69,273,939	740	\$ 74,224,198 940

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

<b>BROKER OR DEALER</b>	Phase II Financial, Ltd.	as of <u>12-31-01</u>
-------------------------	--------------------------	-----------------------

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING  
AND CERTAIN OTHER BROKERS OR DEALERS**

**LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable .....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value .....		20,250 1360	20,250 1620
17. Accounts payable, accrued liabilities, expenses and other .....	8,762 1205	1385	8,762 1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		1690
B. Secured .....	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders \$ 970			
2. Includes equity subordination (15c3-1 (d)) of .... \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements:		1420	1730
1. from outsider: \$ 1000			
2. Includes equity subordination (15c3-1 (d)) of .... \$ 1010			
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. <b>TOTAL LIABILITIES</b> .....	\$ 8,762 1230	\$ 20,250 1450	\$ 29,012 1760

**Ownership Equity**

21. Sole proprietorship .....		\$ 1770
22. Partnership (limited partners) .....	\$ 31,342,838 1920	\$ 74,195,186 1780
23. Corporation:		
A. Preferred stock .....		1791
B. Common stock .....		1792
C. Additional paid-in capital .....		1793
D. Retained earnings .....		1794
E. Total .....		1795
F. Less capital stock in treasury .....		1796
24. <b>TOTAL OWNERSHIP EQUITY</b> .....		\$ 74,224,198 1800
25. <b>TOTAL LIABILITIES AND OWNERSHIP EQUITY</b> .....		\$ 74,224,198 1810

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**

Phase II Financial, Ltd.

as of 12-31-01

**COMPUTATION OF NET CAPITAL**

1. Total ownership equity from Statement of Financial Condition.....	\$	74,195,186		3480
2. Deduct ownership equity not allowable for Net Capital.....	▼			3490
3. Total ownership equity qualified for Net Capital.....		74,195,186		3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital.....				3520
B. Other (deductions) or allowable credits (List).....				3525
5. Total capital and allowable subordinated liabilities.....	\$	74,195,186		3530
6. Deductions and/or charges:				
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C).....	▼	\$ 69,273,939		3540
B. Secured demand note deficiency.....				3590
C. Commodity futures contracts and spot commodities- proprietary capital charges.....				3600
D. Other deductions and/or charges.....				3610
7. Other additions and/or allowable credits (List).....				3630
8. Net capital before haircuts on securities positions.....	▼	\$ 4,921,247		3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):				
A. Contractual securities commitments.....	\$			3660
B. Subordinated securities borrowings.....				3670
C. Trading and investment securities:				
1. Exempted securities.....	▼			3735
2. Debt securities.....				3733
3. Options.....		40,750		3730
4. Other securities.....		107,870		3734
D. Undue Concentration.....				3650
E. Other (List)..... Money Market Funds		82,143		3736
10. Net Capital.....	\$	4,690,484		3750

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**

Phase II Financial, Ltd.

as of 12-31-01

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19) .....	\$	584	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	100,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	100,000	3760
14. Excess net capital (line 10 less 13) .....	\$	4,590,484	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	4,689,608	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	8,762	3790
17. Add			
A. Drafts for immediate credit .....	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	3810	
C. Other unrecorded amounts (List) .....	\$	3820	3830
19. Total aggregate indebtedness .....	\$	8,762	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) .....	%	.0019	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) .....	%	0	3860

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

22. 4% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	3870	
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	3880	
24. Net capital requirement (greater of line 22 or 23) .....	\$	3760	
25. Excess net capital (line 10 less 24) .....	\$	3910	
26. Net capital in excess of the greater of			
A. 6% of combined aggregate debit items or \$120,000 .....	\$	3920	
B. 7% of combined aggregate debit items or \$120,000 .....	\$	3930	

N/A

OMIT PENNIES

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**

Phase II Financial, Ltd.

For the period (MMDDYY) from 01-01-01 3932 to 12-31-01 3933  
Number of months included in this statement 12 3931

**STATEMENT OF INCOME (LOSS)**

**REVENUE**

<b>1. Commissions:</b>		
a. Commissions on transactions in exchange listed equity securities executed on an exchange.....	\$	3935
b. Commissions on listed option transactions .....	"	3938
c. All other securities commissions .....		3939
d. Total securities commissions .....		3940
<b>2. Gains or losses on firm securities trading accounts</b>		
a. From market making in options on a national securities exchange .....		3945
b. From all other trading .....		360,750 3949
c. Total gain (loss) .....		360,750 3950
<b>3. Gains or losses on firm securities investment accounts .....</b>		10,300,030 3952
<b>4. Profit (loss) from underwriting and selling groups .....</b>	"	3953
<b>5. Revenue from sale of investment company shares .....</b>		3970
<b>6. Commodities revenue .....</b>		3990
<b>7. Fees for account supervision, investment advisory and administrative services .....</b>		3975
<b>8. Other revenue .....</b>		1,016,512 3995
<b>9. Total revenue .....</b>	\$	11,677,292 4030

**EXPENSES**

<b>10. Salaries and other employment costs for general partners and voting stockholder officers .....</b>	\$	4120
<b>11. Other employee compensation and benefits .....</b>	"	4115
<b>12. Commissions paid to other broker-dealers .....</b>		4140
<b>13. Interest expense .....</b>		11 4075
a. Includes interest on accounts subject to subordination agreements .....	4070	
<b>14. Regulatory fees and expenses .....</b>		1,320 4195
<b>15. Other expenses .....</b>		163,987 4100
<b>16. Total expenses .....</b>	\$	165,318 4200

**NET INCOME**

<b>17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16) .....</b>	\$	11,511,974	4210
<b>18. Provision for Federal income taxes (for parent only) .....</b>	"		4220
<b>19. Equity in earnings (losses) of unconsolidated subsidiaries not included above .....</b>			4222
a. After Federal income taxes of .....	4238		
<b>20. Extraordinary gains (losses) .....</b>			4224
a. After Federal income taxes of .....	4239		
<b>21. Cumulative effect of changes in accounting principles .....</b>			4225
<b>22. Net income (loss) after Federal income taxes and extraordinary items .....</b>	\$	11,511,974	4230

**MONTHLY INCOME**

<b>23. Income (current month only) before provision for Federal income taxes and extraordinary items .....</b>	\$	2,447,493	4211
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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**

Phase II Financial, Ltd.

For the period (MMDDYY) from 01-01-01 to 12-31-01

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period .....	\$	62,825,712	4240
A. Net income (loss) .....		11,511,974	4250
B. Additions (Includes non-conforming capital of .....	\$	4262	4260
C. Deductions (Includes non-conforming capital of .....	\$	4272	4270
2. Balance, end of period (From item 1800) .....	\$	74,195,186	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period .....	\$	0	4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....	\$	0	4330

OMIT PENNIES



**NOTES TO FINANCIAL STATEMENTS**  
**PHASE II FINANCIAL, LTD.**  
**DECEMBER 31, 2001**

1. **ACCOUNTING METHOD**

The statements are prepared on the accrual method of accounting. For cash flow purposes, only the checking account balances are considered as cash and cash equivalents.

2. **INVESTMENTS**

Investments are stated at market value, with unrealized gain or loss recognized in income.

3. **INCOME TAXES**

The Company is a partnership and both Federal and New York income taxes are applicable credits flow-through to the partners.

4. **RESERVE REQUIREMENTS**

The Company does not carry any customer accounts or handle any securities. All customer accounts are cleared on an introducing fully disclosed basis with Fahnestock & Co. Inc. Therefore, the computation for determination of reserve requirements, and information relating to the possession or control requirements under Rule 15C 3-3 are not applicable.

5. **SAFEGUARDING PROCEDURES**

The Company does not carry customer accounts or handle securities and, therefore, there are no safeguarding procedures to review.

6. **MATERIAL INADEQUACIES**

No material inadequacies were found to exist at December 31, 2001, nor to have existed during the year ended December 31, 2001.

Phase II Financial, Ltd.  
Income & Expense Reconciliation With Company's Computation  
December 31, 2001

Net Income as Reported by Company's Unaudited Focus Reports	11,658,719
LESS : Foreign tax withheld on dividend income at source (Canada) and carried as receivable on unaudited balance sheet	(132,282)
Additional expenses not reported on unaudited focus reports	(14,463)
Net Income per Audited Focus Report	<u>11,511,974</u>

Phase II Financial, Ltd.  
Statement of Cash Flows  
For the Calendar Year Ended December 31, 2001

Net income or (Loss)	11,511,974
Increase in Receivables from Brokers	(683,557)
Net securities purchased and Change in Market Value	(10,685,094)
Capital Withdrawals	(142,500)
Increase in Accounts Payable	1,262
Increase in Cash and Cash Equivalents	<u>2,085</u>
Cash and Cash Equivalents at Beginning of Year	14,740
Cash and Cash Equivalents at End of Year	<u><u>16,825</u></u>

Phase II Financial, Ltd.  
Net Capital Reconciliation with Company's Computation  
December 31, 2001

Net Capital as Reported on Company's unaudited Part II Focus Reports	4,690,485
ADD: Reduction in nonallowable assets	132,282
LESS: Additional expense - foreign tax withheld	(132,282)
Rounding Difference	(1)
Net Capital per Audited Focus Report	<u><u>4,690,484</u></u>

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 1993
Estimated average burden hours per response	.... 12.00

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

# FOCUS REPORT FORM X-17A-5 SCHEDULE I

*(To be filed annually as of the end of calendar year)*

## Contents

Schedule I      **INFORMATION REQUIRED OF ALL BROKERS  
AND DEALERS PURSUANT TO RULE 17a-5**

\* \* \* \* \*

Phase II Financial, Ltd.

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Name of Respondent

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 1993
Estimated average burden hours per response	.... 12.00

**Form  
X-17A-5**

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## Schedule I

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17a-5

Report for the Calendar Year 19 2001 **8004**  
or if less than 12 months

Report for the period beginning MM / DD / YY **8005** and ending MM / DD / YY **8006**

SEC FILE NUMBER
8. 33559 <b>8011</b>

1. NAME OF BROKER DEALER  Phase II Financial, Ltd. <b>8020</b>	<b>N 9</b>	OFFICIAL USE ONLY	<b>8021</b>
	Firm No.	M M Y Y	

2. Name(s) of broker-dealer(s) merging with respondent during reporting period:

NAME: <b>8053</b>	OFFICIAL USE ONLY	<b>8057</b>
NAME: <b>8054</b>		<b>8058</b>
NAME: <b>8055</b>		<b>8059</b>
NAME: <b>8056</b>		<b>8060</b>

3. Respondent conducts a securities business exclusively with registered broker-dealers: (enter applicable code: 1 = Yes 2 = No)  1 **8073**

4. Respondent is registered as a specialist on a national securities exchange: (enter applicable code: 1 = Yes 2 = No)  2 **8074**

5. Respondent makes markets in the following securities:

(a) equity securities.....(enter applicable code: 1 = Yes 2 = No)	<input type="checkbox"/> 2	<b>8075</b>
(b) municipals.....(enter applicable code: 1 = Yes 2 = No)	<input type="checkbox"/> 2	<b>8076</b>
(c) other debt instruments.....(enter applicable code: 1 = Yes 2 = No)	<input type="checkbox"/> 2	<b>8077</b>

6. Respondent is registered solely as a municipal bond dealer: (enter applicable code: 1 = Yes 2 = No)  2 **8078**

7. Respondent is an insurance company or an affiliate of an insurance company: (enter applicable code: 1 = Yes 2 = No)  2 **8079**

8. Respondent carries its own public customer accounts: (enter applicable code: 1 = Yes 2 = No)  2 **8084**

9. Respondent's total number of public customer accounts:  
(carrying firms filing X-17A-5 Part II only)

(a) Public customer accounts .....	<input type="checkbox"/> 0	<b>8080</b>
(b) Omnibus accounts .....	<input type="checkbox"/> 0	<b>8081</b>

10. Respondent clears its public customer and/or proprietary accounts: (enter applicable code: 1 = Yes 2 = No)  2 **8085**

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**11. Respondent clears its public customer accounts in the following manner:**

(enter a "1" in appropriate boxes)

- (a) Direct Mail (New York Stock Exchange Members Only) .....  8086
- (b) Self-Clearing .....  8087
- (c) Omnibus .....  8088
- (d) Introducing .....  8089
- (e) Other .....  8090

If Other please describe:

- (f) Not applicable .....  1 8091

**12. (a) Respondent maintains membership(s) on national securities exchange(s):**

(enter applicable code: 1 = Yes 2 = No)

2  8100

**(b) Names of national securities exchange(s) in which respondent maintains memberships:**

(enter a "1" in appropriate boxes)

- (1) American .....  8120
- (2) Boston .....  8121
- (3) CBOE .....  8122
- (4) Midwest .....  8123
- (5) New York .....  8124
- (6) Philadelphia .....  8125
- (7) Pacific Coast .....  8126
- (8) Other .....  8129

**13. Employees:**

- (a) Number of full-time employees .....  0  8101

- (b) Number of full-time registered representatives employed by respondent included in 13(a) .....  0  8102

- 14. Number of NASDAQ stocks respondent makes market .....  0  8103

- 15. Total number of underwriting syndicates respondent was a member .....  0  8104

(Carrying or clearing firms filing X-17A-5 Part II)

- 16. Number of respondent's public customer transactions:     Actual .....  8105
- Estimate .....  8106

- (a) equity securities transactions effected on a national securities exchange .....  8107

- (b) equity securities transactions effected other than on a national securities exchange .....  8108

- (c) commodity, bond, option, and other transactions effected on or off a national securities exchange .....  8109

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<b>17. Respondent is a member of the Securities Investor Protection Corporation</b> (enter applicable code: 1=Yes 2=No)	<input type="checkbox"/> 1	<input type="checkbox"/> 8111
<hr/>		
<b>18. Number of branch offices operated by respondent</b> .....	<input type="checkbox"/> 0	<input type="checkbox"/> 8112
<hr/>		
<b>19. (a) Respondent directly or indirectly controls, is controlled by, or is under common control with, a U.S. bank</b> (enter applicable code: 1=Yes 2=No)	<input type="checkbox"/> 2	<input type="checkbox"/> 8130
(b) Name of parent or affiliate _____	<input type="checkbox"/> 8131	
(c) Type of Institution _____	<input type="checkbox"/> 8132	
<hr/>		
<b>20. Respondent is an affiliate or subsidiary of a foreign broker-dealer or bank</b> (enter applicable code: 1=Yes 2=No)	<input type="checkbox"/> 2	<input type="checkbox"/> 8113
<hr/>		
<b>21. (a) Respondent is a subsidiary of a registered broker-dealer</b> (enter applicable code: 1=Yes 2=No)	<input type="checkbox"/> 2	<input type="checkbox"/> 8114
(b) Name of parent _____	<input type="checkbox"/> 8116	
<hr/>		
<b>22. Respondent is a subsidiary of a parent which is not a registered broker or dealer</b> (enter applicable code: 1=Yes 2=No)	<input type="checkbox"/> 2	<input type="checkbox"/> 8115
<hr/>		
<b>23. Respondent sends quarterly statements to customers pursuant to 10b-10(b) in lieu of daily or immediate confirmations:</b> (enter applicable code: 1=Yes 2=No)*	<input type="checkbox"/> 2	<input type="checkbox"/> 8117
<hr/>		
<b>24. Aggregate Dollar Amount of Non-Exempted OTC Sales of Exchange-Listed Securities Done by Respondent During the Reporting Period</b> .....	\$ <input type="checkbox"/> 0	<input type="checkbox"/> 8118

\*Required in any Schedule I filed for the calendar year 1978 and succeeding years