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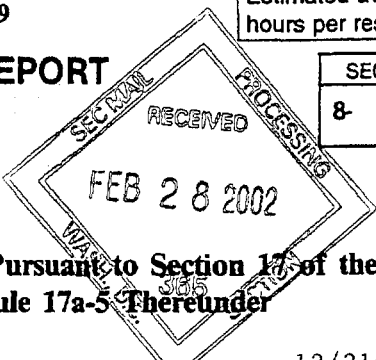
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
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hours per response . . . 12.00

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

SEC FILE NUMBER  
8- 37675



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:  
Brooke Securities, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

1211 Avenue of the Americas, 29th Floor

(No. and Street)

New York

New York

10036-8701

(City)

(State)

(Zip Code)

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

Gregorio S. Pangilinan

(212) 403-9515

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Paul Rosenberg, C.P.A.

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

333 West 52nd Street,

New York

New York

10019

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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FOR OFFICIAL USE ONLY  
THOMSON FINANCIAL

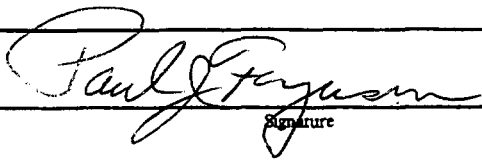
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

3/19

OATH OR AFFIRMATION

I, Paul J. Ferguson, Sr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brooke Securities, Inc., 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:

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

  
\_\_\_\_\_  
Signature  
President  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public

DOLORES M. SULLIVAN  
Notary Public, State of New York  
No. 01SU5040715  
Qualified in Queens County  
Commission Expires March 20, 2003

- This report\*\* contains (check all applicable boxes):
- (a) Facing page.
  - (b) Statement of Financial Condition.
  - (c) Statement of ~~Income (Loss)~~ Operations.
  - (d) Statement of ~~Changes in Financial Condition~~ 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.

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

**BROOKE SECURITIES, INC.**

**FINANCIAL STATEMENTS  
AND SCHEDULE**

**DECEMBER 31, 2001**

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BROOKE SECURITIES, INC.  
Year Ended December 31, 2001

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# Paul Rosenberg

CERTIFIED PUBLIC ACCOUNTANT

333 WEST 52ND STREET, NEW YORK, N.Y. 10019

212 / 581 - 9099

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of  
Brooke Securities, Inc.

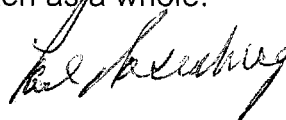
I have audited the accompanying statement of financial condition of Brooke Securities, Inc. as of December 31, 2001, and the related statements of operations, cash flows, and changes in stockholders' equity for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooke Securities, Inc., as of December 31, 2001, and the results of its operations, cash flows, and changes in stockholders' equity for the year then ended, in conformity with generally accepted accounting principles.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 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 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 26, 2002



BROOKE SECURITIES, INC.  
Statement of Financial Condition  
December 31, 2001

ASSETS

|  |               |
|--|---------------|
| Cash   | \$ 41,246     |
| Due from broker                                | 2,577         |
| Short-term investments                         | 492,427       |
| Securities owned, at market (cost - \$796,488) | 558,910       |
| Commissions receivable                         | 83,721        |
| Investment in subsidiary                       | 200,000       |
| Investment management fees receivable          | 7,772         |
| Due from affiliate                             | 18,638        |
| Prepaid expenses                               | <u>13,032</u> |

Total assets \$ 1,418,323

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

|                                       |               |
|---------------------------------------|---------------|
| Accounts payable and accrued expenses | \$ 440,944    |
| Due to Affiliate                      | 1,216         |
| Other liabilities                     | <u>10,056</u> |

Total liabilities 452,216

Stockholders' equity:

|                                     |                |
|-------------------------------------|----------------|
| Common stock, \$0.01 par value      |                |
| Authorized 1,000 shares; issued and |                |
| outstanding 720 shares              | \$ 7           |
| Additional paid-in capital          | 365,867        |
| Retained earnings                   | <u>600,233</u> |

Total stockholders' equity 966,107

Total liabilities and stockholders' equity \$ 1,418,323

The accompanying Notes to Financial Statements are an integral part of this statement.

BROOKE SECURITIES, INC.  
Statement of Operations  
Year Ended December 31, 2001

REVENUES:

|  |                  |
|--|------------------|
| Commission income                          | \$ 2,665,146     |
| Realized losses                            | (19,164)         |
| Unrealized gains                           | 17,800           |
| Interest (including Short Interest earned) | 640,545          |
| Dividends                                  | 15,205           |
| Investment management fees                 | 35,209           |
| Other income                               | <u>37,141</u>    |
| Total revenues                             | <u>3,391,882</u> |

EXPENSES:

|                                |                  |
|--------------------------------|------------------|
| Commissions                    | 2,269,670        |
| Salaries and benefits          | 246,965          |
| Execution and clearing costs   | 207,847          |
| Communications                 | 23,523           |
| Professional fees              | 33,699           |
| Insurance                      | 1,703            |
| Rent                           | 40,140           |
| Leases                         | 33,263           |
| Registration fees              | 13,617           |
| Entertainment and travel       | 2,724            |
| Subscriptions and publications | 1,998            |
| Other expenses                 | <u>8,242</u>     |
| Total expenses                 | <u>2,883,391</u> |

|  |                   |
|--|-------------------|
| Net income before provision for income taxes | 508,491           |
| Provision for income taxes                   | <u>(192,000)</u>  |
| Net income                                   | <u>\$ 316,491</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

BROOKE SECURITIES, INC.  
Statement of Cash Flows  
Year Ended December 31, 2001

|   |                  |
|---|------------------|
| Cash flows from operating activities:         |                  |
| Net income                                    | \$ 316,491       |
|   |                  |
| (Increase) decrease in operating assets:      |                  |
| Due from broker                               | (2,566)          |
| Short-term investments                        | 535,214          |
| Securities owned, at market                   | (384,636)        |
| Commissions receivable                        | 115,075          |
| Investment in subsidiary                      | (25,000)         |
| Investment management fees receivable         | 6,400            |
| Due from affiliate                            | 11,146           |
| Prepaid expenses                              | (2,420)          |
|   |                  |
| Increase (decrease) in operating liabilities: |                  |
| Accounts payable and accrued expenses         | (182,626)        |
| Due to affiliate                              | (98)             |
| Other liabilities                             | <u>(2,308)</u>   |
|   |                  |
| Net cash used in operating activities         | <u>384,672</u>   |
|   |                  |
| Cash flows from capital activities:           |                  |
| Dividend paid                                 | <u>(452,725)</u> |
| Net cash used in capital activities           | <u>(452,725)</u> |
|   |                  |
| Net decrease in Cash                          | (68,053)         |
|   |                  |
| Cash at December 31, 2000                     | <u>109,299</u>   |
|   |                  |
| Cash at December 31, 2001                     | <u>\$ 41,246</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.



BROOKE SECURITIES, INC.  
Statement of Changes in Stockholders' Equity  
Year Ended December 31, 2001

|                                 | <u>Common<br/>Stock</u> | <u>Paid-in<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Total<br/>Shareholders'<br/>Equity</u> |
|---------------------------------|-------------------------|----------------------------|------------------------------|---|
| Balance at beginning<br>of year | \$ 7                    | \$ 365,867                 | \$ 736,467                   | \$1,102,341                               |
| Dividend paid                   |                         |                            | (452,725)                    | (452,725)                                 |
| Net income                      | <u>-0-</u>              | <u>-0-</u>                 | <u>316,491</u>               | <u>316,491</u>                            |
| Balance at end of year          | <u>\$ 7</u>             | <u>\$ 365,867</u>          | <u>\$ 600,233</u>            | <u>\$ 966,107</u>                         |

The accompanying Notes to Financial Statements are an integral part of this statement.

BROOKE SECURITIES, INC.  
Notes to Financial Statements  
Year Ended December 31, 2001

(1) Organization

Brooke Securities, Inc. (Brooke) is a broker-dealer registered under the Securities Exchange Act of 1934. Brooke was incorporated in March 1987. The branch office in Bermuda commenced its operations on January 1, 1997.

(2) Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting principles. It includes the accounts of the branch office

(b) Revenue Recognition

Effective as of January 12, 1995, Brooke began conducting business as a broker-dealer in securities. Recognition of related income and expenses are recorded on trade date.

(c) Depreciation

Office equipment is depreciated over sixty months using the straight line method.

(3) Net Capital

Brooke, as a registered broker-dealer in securities, is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission and the related rules of the NASD Regulation, Inc. (NASD). Such rules prohibit Brooke from engaging in any securities transactions whenever its "aggregate indebtedness" (as defined) exceeds 15 times its "net capital" (as defined).

As of January 12, 1995, the minimum net capital for Brooke is \$100,000. Pursuant to contractual arrangements, Bear, Stearns Securities Corp. acts as the clearing broker-dealer, who carries all of the accounts of the customers and maintains and preserves all books and records as are customarily kept by a clearing broker-dealer.

At December 31, 2001, Brooke had aggregate indebtedness and net capital of \$ 452,216 and \$ 554,394, respectively, a ratio of 0.82 to 1.

BROOKE SECURITIES, INC.  
Notes to Financial Statements  
Year Ended December 31, 2001

4) Commitments and Contingencies:

Lease Obligation:

Brooke leases its' premises under a sub-lease from Olympia Capital Associates, L.P. for a one year period ending December 31, 2001. The lease has been renewed for another one year period under the same terms and conditions. The annual rent for the premises is \$ 40,500.

5) On February 16, 2001, Brooke declared and paid a dividend of \$ 452,725 to its parent company, Brooke Securities Holdings, Inc.

BROOKE SECURITIES, INC.  
Schedule 1 - Supplementary Information  
December 31, 2001

COMPUTATION OF NET CAPITAL

|   |                 |                   |
|---|-----------------|-------------------|
| Total stockholders' equity                        |                 | \$ 966,107        |
| Deduct:   |                 |                   |
| Non-allowable assets                              |                 | <u>(314,119)</u>  |
| Net Capital before haircuts on security positions |                 | 651,988           |
| Less: Haircuts on securities:                     |                 |                   |
| Securities positions                              | \$ (82,870)     |                   |
| Undue concentration                               | <u>(14,724)</u> | <u>(97,594)</u>   |
| Net capital                                       |                 | <u>\$ 554,394</u> |

Note: The above computation does not differ materially from that filed by  
Brooke Securities, Inc. with the NASD.

BROOKE SECURITIES, INC.  
Schedule 1 - Supplementary Information, continued  
December 31, 2001

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

|                                 |                   |
|---------------------------------|-------------------|
| Net capital                     | \$ 554,394        |
| Minimum net capital requirement | <u>100,000</u>    |
| Excess net capital              | <u>\$ 454,394</u> |

COMPUTATION OF AGGREGATE INDEBTEDNESS

|  |                   |
|--|-------------------|
| Accounts payable and accrued expenses  | \$ 440,944        |
| Due to affiliate   | 1,216             |
| Other payables   | <u>10,056</u>     |
| Total aggregate indebtedness   | <u>\$ 452,216</u> |
| Percentage of aggregate indebtedness to net capital                                | <u>82%</u>        |
| Percentage of debt to debt-equity total computed<br>in accordance with Rule 15c3-1 | N/A               |

Note: The above computation does not differ materially from that filed by  
Brooke Securities, Inc. with the NASD.

# Paul Rosenberg

CERTIFIED PUBLIC ACCOUNTANT

333 WEST 52ND STREET, NEW YORK, N.Y. 10019

212 / 581 - 9099

The Board of Directors of  
Brooke Securities, Inc.

I have examined the financial statements of Brooke Securities, Inc., for the year ended December 31, 2001, and have issued my report thereon dated February 26, 2002. As part of my examination, I made a study and evaluation of the Corporation's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures followed by Brooke Securities, Inc., that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by Brooke Securities, Inc., in complying with Regulation T of the Board of Governors of the Federal Reserve System, because Brooke Securities, Inc., does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of Brooke Securities, Inc., is responsible for establishing and maintaining a system of internal accounting 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 control procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. The objectives of a system and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which Brooke Securities, Inc. 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 accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph. Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future periods is subjected to the risk that may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal control of Brooke Securities, Inc., taken as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and the 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 my study, I believe that the Corporation's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the NASD Regulation, Inc., and the National Futures Association and should not be used for any other purpose.

February 26, 2002

