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

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

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

SEC FILE NUMBER  
8- 52272

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

FEB 28 2002  
12/31/01  
MM/DD/YY

REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING \_\_\_\_\_  
MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Susquehanna Fixed Income, L.P.

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

401 City Line Avenue, Suite 220

OFFICIAL USE ONLY  
FIRM ID. NO.

(No. and Street)

Bala Cynwyd

PA

19004

(City)

(State)

(Zip Code)

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

Brian Sullivan

(610) 617-2635

(Area Code- Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Goldstein Golub Kessler, LLP

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

1185 Avenue of the Americas

New York

NY

10036

(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 26 2002  
THOMSON  
FINANCIAL

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\* 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 (3-91)

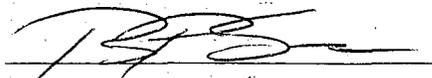
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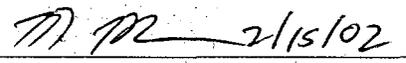
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3/14/2002

OATH OR AFFIRMATION

I, Brain Sullivan swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Susquehanna Fixed Income, L.P., as of December 31, 19 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:

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

  
\_\_\_\_\_  
*Controller/Treasurer* Signature  
Title

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

MICHAEL L. MOLLEN, COMMISSIONER OF DEEDS  
Montgomery County, Pennsylvania  
My Commission Expires June 01, 2006

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).



# GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants



## INDEPENDENT AUDITOR'S REPORT

To the Partners of  
Susquehanna Fixed Income, L.P.

We have audited the accompanying statement of financial condition of Susquehanna Fixed Income, L.P. as of December 31, 2001. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 statement referred to above presents fairly, in all material respects, the financial position of Susquehanna Fixed Income, L.P. as of December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

  
GOLDSTEIN GOLUB KESSLER LLP

February 7, 2002

**SUSQUEHANNA FIXED INCOME, L.P.**  
(a limited partnership)

**STATEMENT OF FINANCIAL CONDITION**  
(dollars in thousands)

**December 31, 2001**

**ASSETS**

Cash	\$ 48
Securities and Options Owned - at market value	1,805,032
Bond Interest Receivable	14,782
Other Assets	141
<b>Total Assets</b>	<b>\$1,820,003</b>

**LIABILITIES AND PARTNERS' CAPITAL**

Liabilities:

Securities sold, not yet purchased - at market value	\$ 69,923
Payable to clearing broker	1,609,733
Payable to affiliates	153
Accounts payable and accrued expenses	229
<b>Total liabilities</b>	<b>1,680,038</b>
Partners' Capital	139,965
<b>Total Liabilities and Partners' Capital</b>	<b>\$1,820,003</b>

See Notes to Statement of Financial Condition

**SUSQUEHANNA FIXED INCOME, L.P.**  
(a limited partnership)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2001**  
(dollars in thousands)

**1. ORGANIZATION:** Susquehanna Fixed Income, L.P. (the "Company"), a Delaware limited partnership, is a member of the National Association of Securities Dealers, Inc. (the "NASD"). The Company trades for its own account as a dealer and market-maker. The Company is owned 99.9% by Susquehanna International Group, LLP ("SIG") (formerly Susquehanna Partners, GP) and 0.1% by Susquehanna Fixed Income Advisors, L.P.

**2. SIGNIFICANT ACCOUNTING POLICIES:** The Company records transactions in securities and options on a trade-date basis. Securities owned and securities sold, not yet purchased, are valued at market value on December 31, 2001.

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange.

No provision for federal and state taxes has been made since, as a partnership, the Company is not subject to income taxes. The Company is subject to local taxes.

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require the use of estimates by management.

**3. SECURITIES OWNED AND SECURITIES SOLD, NOT YET PURCHASED:** Securities owned and securities sold, not yet purchased, at quoted market values, are summarized as follows:

	Securities Owned	Securities Sold, Not Yet Purchased
Municipal debt securities	\$1,791,487	\$ 938
Options	13,545	68,985
	\$1,805,032	\$69,923

Options sold, not yet purchased, consist of commodity options having various expiration dates. The trading of options involves elements of market risk in excess of the amount recognized in the statement of financial condition.

**SUSQUEHANNA FIXED INCOME, L.P.**  
(a limited partnership)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2001**  
(dollars in thousands)

- 4. PAYABLE TO CLEARING BROKER AND CONCENTRATION OF CREDIT RISK:** The clearing and depository operations for the Company's security transactions are provided by one broker. At December 31, 2001, all of the securities owned and the amount due to broker reflected in the statement of financial condition are positions carried by and amounts due to this broker. The securities serve as collateral for the amount due to the broker. The clearing broker has the right to sell or repledge this collateral, subject to the clearing agreement between the Company and the clearing broker. Additionally, investments in securities and securities sold short are subject to margin requirements.
- Certain margin financing by the clearing broker is denominated in foreign currency, translated at year-end rates of exchange.
- 5. RELATED PARTY TRANSACTIONS:** SIG acts as a common payment agent for the Company and various affiliates for all expenses that are not directly related to trading. The Company reimburses SIG for such costs based on allocations determined at SIG's discretion. The payable to affiliate represents the amounts due to SIG for such reimbursements. Because of its short-term nature, the fair value of the payable to affiliate approximates its carrying amount.
- The Company and various other entities are under common ownership and control. As a result, management can exercise its discretion when determining which entity will engage in trading new product lines. Therefore, the financial position and operating results presented herein may not necessarily be indicative of those which would be obtained had these entities operated autonomously.
- Included in other assets is a nonvoting interest in the clearing broker through which the Company clears its proprietary transactions.
- 6. DERIVATIVE FINANCIAL INSTRUMENTS:** The Company's activities include the purchase and sale of a variety of derivative financial instruments such as commodity options and futures. These derivatives are used for trading purposes and for managing risk associated with the portfolio of investments. All positions are reported in the accompanying statement of financial condition at market value.
- Risks arise in futures contracts from potential counterparty nonperformance and from changes in the market values of the underlying instruments. Credit risk associated with these contracts is limited to amounts recorded as assets in the statement of financial condition. These financial instruments may give rise to off-balance-sheet market risk. Most futures contracts are traded on national exchanges, which limits the exposure to credit risk.
- 7. NET CAPITAL REQUIREMENT:** The Company is a registered broker-dealer with the NASD and is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1. The Company computes its net capital under the alternative method permitted by the rule, which requires it to maintain minimum net capital, as defined, of the greater of \$250 or 2% of the aggregate debit items. Net capital changes from day to day,

**SUSQUEHANNA FIXED INCOME, L.P.**  
**(a limited partnership)**

**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2001**  
**(dollars in thousands)**

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but as of December 31, 2001, the Company had net capital of \$86,135, which exceeded its requirement of \$250 by \$85,885.

**8. SUBSEQUENT  
EVENT:**

Subsequent to December 31, 2001, capital was withdrawn in the amount of \$20,000 and capital considered to be nonconforming capital under rule 15c3-1 was contributed in the amount of \$13,000, net of withdrawals, by the Partners.