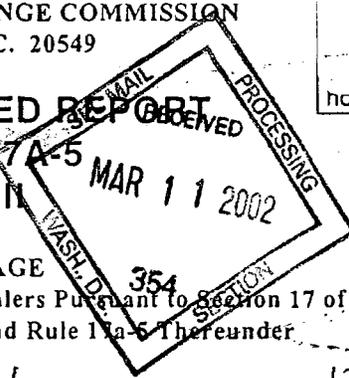




ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART II



SEC FILE NUMBER  
8- 28108

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: PORTAGE BROKERAGE CO OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
588 GEORGETOWN - DAMASCUS R.  
P.O. Box 141  
FIRM I.D. NO.

(No. and Street)

DAMASCUS, Ohio 44619-0141

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
CLARENCE R. SEKERAK 330-537-3108

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

BURNS, O'HARE & BELLA, INC.

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

565 N. BROAD ST., CANFIELD, Ohio 44406

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

P MAR 22 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)

SEC 1410 (05-01)

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

3/20/02 [Signature]

OATH OR AFFIRMATION

I, CLARENCE R. SEKERAK, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PORTAGE BROKERAGE COMPANY, 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:

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

FEB 28 2002

Clarence R. Sekerak

Signature

PRESIDENT

Title

Randall C. Mosher

RANDALL C. MOSHER, Notary Public

Notary Public

STATE OF OHIO

My Commission Expires Aug. 30, 2002

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 15c3-3 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. (MA)
- (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).

**PORTAGE BROKERAGE COMPANY**

**FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION**

**Years ended  
December 31, 2001 and 2000**

---

C O N T E N T S

	PAGE
INDEPENDENT AUDITORS' REPORT. . . . .	1
FINANCIAL STATEMENTS:	
Statements of Financial Condition. . . . .	2
Statements of Income. . . . .	3
Statements of Changes in Stockholder's Equity. . . . .	4
Statements of Changes in Subordinated Borrowings. . . . .	5
Statements of Cash Flow. . . . .	6
Notes to Financial Statements. . . . .	7-8
SUPPLEMENTARY INFORMATION:	
Schedule I. . . . .	9
Schedule II. . . . .	10
Management Report. . . . .	11-12

**BURNS, O'HARE & BELLA, INC.**

*Certified Public Accountants*

565 N. BROAD STREET  
CANFIELD, OHIO 44406  
(330) 533-9909  
FAX (330) 533-6656

*Member:*  
American Institute of  
Certified Public Accountants

*Member:*  
Ohio Society of  
Certified Public Accountants

Board of Directors  
Portage Brokerage Company  
Damascus, Ohio 44619

Independent Auditor's Report

We have audited the accompanying statements of financial condition of Portage Brokerage Company as of December 31, 2001 and 2000, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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 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 presentations. 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 Portage Brokerage Company as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic statements taken as a whole. The information contained in Schedules I and II, 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Burns, O'Hare & Bella, Inc.*

Canfield, Ohio  
February 2, 2002

PORTAGE BROKERAGE COMPANY  
 STATEMENTS OF FINANCIAL CONDITION  
 As of December 31, 2001 and 2000

ASSETS

	<u>2001</u>	<u>2000</u>
<b>CURRENT ASSETS</b>		
Accounts receivable--commissions	\$ 2,224	\$ 1,755
Investments, at market value	<u>108,942</u>	<u>102,334</u>
<b>TOTAL ASSETS</b>	<u>\$111,166</u>	<u>\$104,089</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

<b>CURRENT LIABILITIES</b>		
Accounts payable--commissions	\$ 2,224	\$ 1,755
Accrued federal income tax	<u>773</u>	<u>1,709</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,997</u>	<u>3,464</u>
<b>DEFERRED FEDERAL INCOME TAX</b>	<u>2,100</u>	<u>1,530</u>
<b>STOCKHOLDER'S EQUITY</b>		
Common stock		
750 shares authorized, no par, 2 shares issued and outstanding	1,000	1,000
Additional paid-in capital	10,000	10,000
Retained earnings	<u>95,069</u>	<u>88,095</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<u>106,069</u>	<u>99,095</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<u>\$111,166</u>	<u>\$104,089</u>

The accompanying notes are an integral part of these financial statements

PORTAGE BROKERAGE COMPANY

STATEMENTS OF INCOME

Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
REVENUES		
Commission income	\$ 65,070	\$ 69,098
Interest income	<u>5,781</u>	<u>7,793</u>
TOTAL REVENUE	70,851	76,891
EXPENSES		
Commission expense	60,518	60,602
Regulatory fees and expenses	601	190
Professional fees	1,525	1,356
State and local taxes	595	921
Bank charges	<u>122</u>	<u>120</u>
TOTAL EXPENSES	<u>63,361</u>	<u>63,189</u>
INCOME FROM OPERATIONS	7,490	13,702
OTHER INCOME/(LOSS)		
Gain/(loss) on investment	<u>827</u>	<u>508</u>
INCOME BEFORE TAX	8,317	14,210
FEDERAL INCOME TAX PROVISION (BENEFIT)		
Current	773	1,709
Deferred	<u>570</u>	<u>(70)</u>
	<u>1,343</u>	<u>1,639</u>
NET INCOME/(LOSS)	<u>\$ 6,974</u>	<u>\$ 12,571</u>

The accompanying notes are an integral part of these financial statements

PORTAGE BROKERAGE COMPANY

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

Years Ended December 31, 2001 and 2000

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL STOCKHOLDERS EQUITY</u>
BALANCE--December 31, 1999	\$ 1,000	\$ 10,000	\$ 75,524	\$ 86,524
Net income	<u>-</u>	<u>-</u>	<u>12,571</u>	<u>12,571</u>
BALANCE--December 31, 2000	1,000	10,000	88,095	99,095
Net income	<u>-</u>	<u>-</u>	<u>6,974</u>	<u>6,974</u>
BALANCE--December 31, 2001	<u>\$ 1,000</u>	<u>\$ 10,000</u>	<u>\$ 95,069</u>	<u>\$106,069</u>

The accompanying notes are an integral part of these financial statements

PORTAGE BROKERAGE COMPANY

STATEMENT OF CHANGES IN SUBORDINATED BORROWINGS

Years Ended December 31, 2001 and 2000

Subordinated borrowings at January 1, 2000	\$ - 0 -
Increases:	
Secured demand note collateral agreements	- 0 -
Issuance of subordinated notes	- 0 -
Decreases:	
Payment of subordinated notes	<u>- 0 -</u>
Subordinated borrowings at December 31, 2000	- 0 -
Subordinated borrowings at January 1, 2001	- 0 -
Increases:	
Secured demand note collateral agreements	- 0 -
Issuance of subordinated notes	- 0 -
Decreases:	
Payment of subordinated notes	<u>- 0 -</u>
Subordinated borrowings at December 31, 2001	<u>\$ - 0 -</u>

The accompanying notes are an integral part of these financial statements

PORTAGE BROKERAGE COMPANY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATIONS:		
Net income/(loss)	\$ 6,974	\$ 12,571
Adjustments to reconcile net income to cash used in operating activities:		
(Increase)/decrease in investments	(6,608)	(11,559)
(Increase)/decrease in accounts receivable	(469)	(200)
Increase/(decrease) in accounts payable and income taxes	<u>103</u>	<u>(812)</u>
Total adjustments	<u>(6,974)</u>	<u>(12,571)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>- 0 -</u>	<u>- 0 -</u>
NET (DECREASE)/INCREASE IN CASH	- 0 -	- 0 -
CASH AT BEGINNING OF YEAR	<u>- 0 -</u>	<u>- 0 -</u>
CASH AT END OF YEAR	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income tax payments	<u>\$ 1,709</u>	<u>\$ 1,456</u>

The accompanying notes are an integral part of these financial statements

PORTAGE BROKERAGE COMPANY

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

**NOTE A - BUSINESS ACTIVITY**

The Company was formed in 1982 to operate as a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD).

**NOTE B - SUMMARY OF SIGNIFICANT POLICIES**

Revenue Recognition:

Commission income and related commission expense are recorded on a trade date basis.

Investments:

Investments are stated at market value. The resulting difference between cost and market value is included in income.

Income Taxes

Provisions for income taxes are based on amounts reported in the statements of income and include deferred taxes on temporary differences for tax and financial statement purposes. Deferred taxes are computed using the liability method as prescribed in SFAS No. 109, "Accounting for Income Taxes."

**NOTE C - INVESTMENTS**

Investments at December 31, 2001 were as follows:

	<u>COST</u>	<u>MARKET VALUE</u>
300.00 shares Nasdaq Stock Market, Inc.	\$ 3,300	\$ 3,300
4392.62 shares American Mutual Fund	<u>94,626</u>	<u>105,642</u>
	<u>\$ 97,926</u>	<u>\$108,942</u>

The accompanying notes are an integral part of these financial statements

PORTAGE BROKERAGE COMPANY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

**NOTE D - NET CAPITAL REQUIREMENT**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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. At December 31, 2001, the Company had net capital of \$87,281, which was \$82,281 in excess of its required net capital of \$5,000.

**NOTE E - LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**

There were no borrowings subordinated to the claims of general creditors during the year ended December 31, 2001.

The accompanying notes are an integral part of these financial statements

SUPPLEMENTARY INFORMATION

PORTAGE BROKERAGE COMPANY

COMPUTATION OF NET CAPITAL UNDER SEC RULE 15C3-1

SCHEDULE I

As of December 31, 2001

1.	Total ownership from Statement of Financial Condition		\$106,069
2.	Deduct ownership equity not allowed for Net Capital		<u>- 0 -</u>
3.	Total ownership equity qualified for Net Capital		106,069
4.	Add:		
	A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		- 0 -
	B. Other (deductions) or allowable credits - deferred income taxes payable		<u>2,100</u>
5.	Total capital and allowable subordinated liabilities		108,169
6.	Deductions and/or charges:		
	A. Total nonallowable assets from Statement of Financial Condition	\$ 3,300	
	B. Secured demand note deficiency	- 0 -	
	C. Commodity futures contracts and spot commodities-proprietary capital charges	- 0 -	
	D. Other deductions and/or charges	<u>1,247</u>	<u>4,547</u>
7.	Other additions and/or allowable credits		<u>- 0 -</u>
8.	Net capital before haircuts on securities positions		103,622
9.	Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):		
	A. Contractual securities commitments	\$ - 0 -	
	B. Subordinated securities borrowings	<u>- 0 -</u>	
	C. Trading and investment securities:		
	1. Exempted securities	\$ - 0 -	
	2. Debt securities	- 0 -	
	3. Options	- 0 -	
	4. Other securities	16,341	
	D. Undue Concentration	- 0 -	
	E. Other	<u>- 0 -</u>	<u>16,341</u>
10.	Net capital		<u>\$ 87,281</u>

PORTAGE BROKERAGE COMPANY

SCHEDULE II

December 31, 2001

(h)-- COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENT PURSUANT TO RULE 15C3-3

Not applicable due to exemption (k)(2)(i) of Rule 15C3-3

(i)-- INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3

Not applicable due to exemption (k)(2)(i) of Rule 15C3-3

(j)-- RECONCILIATION BETWEEN NET CAPITAL COMPUTATION AND RESERVE REQUIREMENT  
COMPUTATION

There are no material differences between the computation of net capital under Rule 15C3-1 as prepared by the Company and filed with their most recent Part IIA unaudited report and the schedule included with these statements.

The Company did not file the computation for determination of the reserve requirements under Exhibit A of Rule 15C3-3 due to exemption (k)(2)(i) of Rule 15C3.3.

**BURNS, O'HARE & BELLA, INC.**

*Certified Public Accountants*

565 N. BROAD STREET  
CANFIELD, OHIO 44406  
(330) 533-9909  
FAX (330) 533-6656

*Member:*  
American Institute of  
Certified Public Accountants

*Member:*  
Ohio Society of  
Certified Public Accountants

Board of Directors  
Portage Brokerage Company  
Damascus, Ohio

In planning and performing our audit of the financial statements and supplemental schedules of Portage Brokerage Company for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including 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
2. Recordation of differences required by rule 17a-13
3. 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 an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and 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 SEC's above-mentioned objectives. Two of the objectives of an internal control structure 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 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 control structure or the practices and procedures referred to above, errors or irregularities 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.

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 were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the use of the management, NASD, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

*Burns, O'Hare & Bell, Inc.*

Canfield, Ohio  
February 2, 2002