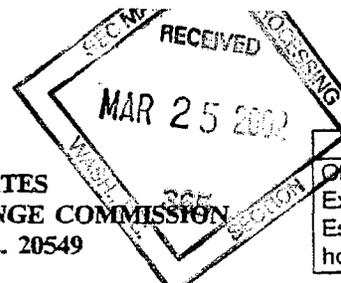


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



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

SEC FILE NUMBER  
8-41788

3/29/02

**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 01/01/2001 AND ENDING 12/31/2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Philadelphia Brokerage Corp.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
992 Old Eagle School Road, Suite 915

(No. and Street)

Wayne

PA

19087

(City)

(State)

(Zip Code)

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

Kevin F. Hamilton

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Barbacane, Thornton & Company

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

202 Bancroft Building, 3411 Silverside Road, Wilmington, DE19810

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

**PROCESSED**  
APR 04 2002  
THOMSON  
FINANCIAL

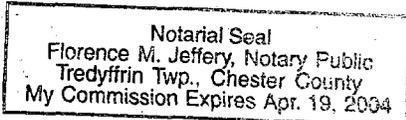
FOR OFFICIAL USE ONLY

\*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).

OATH OR AFFIRMATION

I, Kevin F. Hamilton, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Philadelphia Brokerage Corp., as of 19\_\_\_\_, 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]*  
\_\_\_\_\_  
Signature  
President  
\_\_\_\_\_  
Title

*[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 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).

**PHILADELPHIA BROKERAGE CORPORATION**  
**(formerly Frith Brothers Investments, Inc.)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2001**

PHILADELPHIA BROKERAGE CORPORATION

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INDEPENDENT AUDITORS' REPORT

202 Bancroft Building  
3411 Silverside Road  
Wilmington, Delaware 19810  
302.478.8940

25 West Third Street  
Media, Pennsylvania 19063  
610.565.5222

FAX: 302.478.0133

January 24, 2002

To the Board of Directors and Stockholders  
Philadelphia Brokerage Corporation  
Wayne, Pennsylvania

We have audited the accompanying balance sheet of Philadelphia Brokerage Corporation, an S corporation (formerly Frith Brothers Investments, Inc.), as of December 31, 2001, and the related statements of income and expenses, cash flows and changes in stockholders' equity 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 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 statements referred to above present fairly, in all material respects, the financial position of Philadelphia Brokerage Corporation as of December 31, 2001, 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.

*Barbacane, Thornton & Company*

BARBACANE, THORNTON & COMPANY

PHILADELPHIA BROKERAGE CORPORATION  
(formerly Frith Brothers Investments, Inc.)  
BALANCE SHEET  
DECEMBER 31, 2001

ASSETS

Current Assets

Cash		\$ 54,270
Accounts Receivable		56,842
Accounts Receivable - Employee		1,150
Note Receivable		17,369
Prepaid Expenses		448
Securities Owned		<u>65</u>
Total Current Assets		130,144

Furniture, Fixtures and Office Equipment (at cost)	\$ 98,009	
Less Accumulated Depreciation	<u>86,360</u>	
Net Furniture, Fixtures and Office Equipment		11,649

Other Assets

Deposits	8,357	
Clearing Deposit Cash	75,000	
Loan to Shareholder	<u>10,000</u>	
Total Other Assets		<u>93,357</u>

TOTAL ASSETS		<u>\$ 235,150</u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Commissions Payable		\$ 45,046
Accounts Payable		<u>7,500</u>
Total Liabilities		52,546

Stockholders' Equity

Common stock - Authorized 100 shares at no par value, 100 shares issued and outstanding	\$ 7,500	
Additional paid-in capital	31,566	
Retained earnings	<u>143,538</u>	
Total Stockholders' Equity		<u>182,604</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>\$ 235,150</u>
--	--	-------------------

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA BROKERAGE CORPORATION  
(formerly Frith Brothers Investments, Inc.)  
STATEMENT OF INCOME AND EXPENSES  
YEAR ENDED DECEMBER 31, 2001

Income		
Commission and Fee Income		\$ 1,343,889
Expenses		
Advertising	\$ 5,550	
Bank Charges	1,243	
Clearing Costs	268,837	
Charity	2,225	
Commissions - Brokers and Others	653,588	
Depreciation	1,766	
Dues and Subscriptions	2,422	
Education and Seminars	3,160	
Entertainment	1,942	
Equipment Rental	5,285	
Insurance	19,431	
Licenses and Registrations	15,748	
Miscellaneous Expense	2,027	
Office Expense	12,920	
Office Supplies	15,953	
Officers' Salaries	75,000	
Payroll Taxes	46,215	
Postage	12,323	
Printing	13,112	
Professional Services	58,149	
Publications	262	
Quotations and Research	22,835	
Rent	51,868	
SIPC	150	
Taxes	2,362	
Telephone	19,307	
Travel	369	
Wages and Salaries	<u>111,833</u>	
TOTAL EXPENSES		<u>1,425,882</u>
NET LOSS BEFORE OTHER INCOME		(81,993)
OTHER INCOME		
Investment income		<u>27,708</u>
NET LOSS		<u>\$ (54,285)</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA BROKERAGE CORPORATION  
 (formerly Frith Brothers Investments, Inc.)  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss	\$ (54,285)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation	1,766
Decrease in accounts receivable	69,653
Decrease in note receivable	17,368
(Increase) in loan to shareholder	(10,000)
(Increase) in clearing deposit cash	(50,000)
(Decrease) in commissions payable	(75,947)
(Decrease) in accounts payable	<u>(33,947)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(135,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of investment	457
Purchase of equipment	<u>(12,946)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(12,489)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Acquisition of short-term debt	280,000
Repayment of short-term debt	(280,000)
Payment of dividends	<u>(130,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(130,000)</u>
NET DECREASE IN CASH	(277,881)
CASH, BEGINNING OF YEAR	<u>332,151</u>
CASH, END OF YEAR	<u>\$ 54,270</u>
SUPPLEMENTAL DISCLOSURE:	
Interest Paid	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA BROKERAGE CORPORATION  
 (formerly Frith Brothers Investments, Inc.)  
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
 YEAR ENDED DECEMBER 31, 2001

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance - Beginning of Year	\$ 7,500	\$31,566	\$ 327,823	\$ 366,889
Net Loss	-	-	(54,285)	(54,285)
Dividends	-	-	(130,000)	(130,000)
Balance - End of Year	<u>\$ 7,500</u>	<u>\$31,566</u>	<u>\$ 143,538</u>	<u>\$ 182,604</u>

The accompanying notes are an integral part of these financial statements.

PHILADELPHIA BROKERAGE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Philadelphia Brokerage Corporation is a broker or dealer of securities registered pursuant to Section 15(b) of the Securities Exchange Act. Philadelphia Brokerage Corporation does not hold customer securities but uses a clearing house to hold such securities.

During 2001, Frith Brothers Investments, Inc. changed its name to Philadelphia Brokerage Corporation.

Basis of Accounting

The accrual method of accounting is used for financial statements. Under this method, income is recognized when earned and expenses are recognized when incurred.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives.

Advertising

The Company expenses the production costs of advertising when incurred.

Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE B CLEARING DEPOSIT CASH

Clearing deposit cash represents a deposit with a clearing company in order to assure performance. Interest accrued to Philadelphia Brokerage Corporation can be removed as long as a minimum of \$75,000 in deposits is maintained.

NOTE C CORPORATE INCOME TAXES

The Company has elected with the consent of the shareholders to be taxed as an "S" Corporation under Internal Revenue Code Section 1362 and a similar code section for the state. An "S" Corporation does not generally pay income taxes but, instead, the shareholders are taxed on the Company's income. Therefore, the statements do not include any provision for corporate income taxes.

PHILADELPHIA BROKERAGE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2001 (cont'd)

NOTE D LEASES

- 1) The Company has entered into a lease for an office that expires on February 28, 2003. Monthly rent is \$4,732. Future minimum lease payments are as follows:

December 31,

2002	\$ 55,674
2003	<u>9,464</u>
	<u>\$ 65,138</u>

- 2) The Company has entered into several operating leases which expire at various times up to 2003. Future minimum lease payments are as follows:

December 31,

2002	\$ 3,918
2003	<u>507</u>
	<u>\$ 4,425</u>

Lease expense was \$57,153 in 2001.

NOTE E NOTE RECEIVABLE

The Company has a note receivable with an employee in the amount of \$17,369. The interest rate as of December 31, 2001 is 5.36 percent.

NOTE F LOAN TO SHAREHOLDER

The Company has a loan to a shareholder in the amount of \$10,000. This is an unsecured noninterest-bearing loan.

NOTE G CONCENTRATION OF CREDIT RISK

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**PHILADELPHIA BROKERAGE CORPORATION**  
**(formerly Frith Brothers Investments, Inc.)**

**FINANCIAL STATEMENTS**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2001**

INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17A-5  
OF THE SECURITIES AND EXCHANGE COMMISSION

202 Bancroft Building  
3411 Silverside Road  
Wilmington, Delaware 19810  
302.478.8940

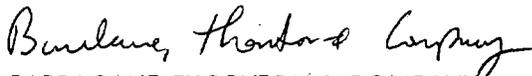
25 West Third Street  
Media, Pennsylvania 19063  
610.565.5222

FAX: 302.478.0133

January 24, 2002

To the Board of Directors and Stockholders  
Philadelphia Brokerage Corporation  
Wayne, Pennsylvania

We have audited the accompanying financial statements of Philadelphia Brokerage Corporation, an S corporation (formerly Frith Brothers Investments, Inc.), as of and for the year ended December 31, 2001, and have issued our report thereon dated January 24, 2002. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 11 and 12 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 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.

  
BARBACANE, THORNTON & COMPANY

PHILADELPHIA BROKERAGE CORPORATION  
(formerly Frith Brothers Investments, Inc.)  
RECONCILIATION OF NET CAPITAL  
DECEMBER 31, 2001

	Audited (Page 4)	Unaudited (Part 11A)	Difference
<b>ASSETS:</b>			
Cash	\$ 54,270	\$ 54,270	\$ -
Accounts Receivable	56,842	56,842	-
Accounts Receivable - Employee	1,150	1,150	-
Note Receivable	17,369	17,369	-
Loan to Shareholder	10,000	3,700	6,300 <sup>1</sup>
Securities Owned	65	65	-
Clearing Deposit Cash	75,000	75,000	-
Net Fixed Assets	11,649	-	11,649 <sup>2</sup>
Other Assets	<u>8,805</u>	<u>8,805</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 235,150</u></b>	<b><u>\$ 217,201</u></b>	<b><u>\$ 17,949</u></b> <sup>1,2</sup>
<b>LIABILITIES:</b>			
Accounts Payable and Other	<u>\$ 52,546</u>	<u>\$ 57,046</u>	<u>\$ (4,500)</u> <sup>3</sup>
Total Liabilities	52,546	57,046	(4,500)
<b>NET CAPITAL</b>	<u>182,604</u>	<u>160,155</u>	<u>22,449</u> <sup>1,2,3</sup>
<b>TOTAL LIABILITIES AND NET CAPITAL</b>	<b><u>\$ 235,150</u></b>	<b><u>\$ 217,201</u></b>	<b><u>\$ 17,949</u></b>

<sup>1</sup> Adjustment made to record additional funds loaned to officer.

<sup>2</sup> Adjustment made to capitalize equipment and to adjust depreciation expense.

<sup>3</sup> Adjustment made to reduce the accrual for the audit fee.

PHILADELPHIA BROKERAGE CORPORATION  
(formerly Frith Brothers Investments, Inc.)  
COMPUTATION OF NET CAPITAL  
DECEMBER 31, 2001

Total ownership equity (page 4)	<u>\$ 182,604</u>
Less: Non-allowable assets:	
Security Deposits	8,357
Furniture & Fixtures - Net	11,649
Prepaid Expenses	448
Note Receivable	17,369
Accounts Receivable - Employee	1,150
Loan to Shareholder	<u>10,000</u>
	<u>48,973</u>
Net Capital before Haircuts on Securities Position	133,631
Haircuts	<u>972</u>
Net Capital	<u>\$ 132,659</u>
Aggregate Indebtedness	<u>\$ 52,546</u>
Percentage of Aggregate Indebtedness to Net Capital	<u>40%</u>
Minimum Capital Requirement at 6-2/3% of Aggregate Indebtedness or \$50,000 (greater of the two)	<u>\$ 50,000</u>
Excess Net Capital	<u>\$ 82,659</u>

INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL BASED SOLELY ON  
THE ASSESSMENT OF CONTROL RISK  
DONE AS PART OF THE AUDIT

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3411 Silverside Road  
Wilmington, Delaware 19810  
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25 West Third Street  
Media, Pennsylvania 19063  
610.565.5222

FAX: 302.478.0133

January 24, 2002

To the Board of Directors and Stockholders  
Philadelphia Brokerage Corporation  
Wayne, Pennsylvania

In planning and performing our audit of the financial statements and supplemental schedules of Philadelphia Brokerage Corporation (the Company) for the year ended December 31, 2001, we considered its internal control, including control activities 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.

Also, as required by Rule 17a-5(g)(1) of the Securities and 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. The provisions of SEC Rule 15c3-3 do not apply and are not applicable to Philadelphia Brokerage Corporation under Section k(2)(ii). The Company qualifies as an introductory broker under Section k(2)(ii), and the requirements of Rule 15c3-3 are not applicable. 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 internal 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 controls 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 internal control 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

To the Board of Directors and Stockholder  
Philadelphia Brokerage Corporation

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud 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 would not necessarily disclose all matters in the internal control 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 components does not reduce to a relatively low level the risk that error or fraud 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 internal control, including control activities for safeguarding securities, 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 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 information and use of the Board of Directors, management, the SEC, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

  
BARBACANE, THORNTON & COMPANY