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

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| SEC FILE NUMBER |
| 8-991 |

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

Nov 26 2002

REPORT FOR THE PERIOD BEGINNING 10/01/01 AND ENDING 09/30/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:
Carl H. Pforzheimer & Co.

| |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO. |

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

650 Madison Avenue - 23rd Floor

New York (City) New York (No. and Street) (State) 10022 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Mr. Carl H. Pforzheimer III (212) 223-6500
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Deloitte & Touche LLP

Two World Financial Center (Address) New York (City) New York (Name - if individual, state last, first, middle name) (State) 10281-1414 (Zip Code)

CHECK ONE:

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

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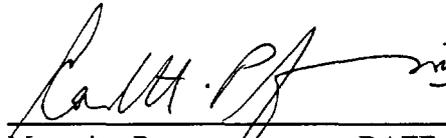
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

DR 12-10

AFFIRMATION

We, Carl H. Pforzheimer, III and Marshall S. Maddox, affirm that, to the best of our knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to Carl H. Pforzheimer & Co. for the year ended September 30, 2002, are true and correct, and such financial statements and supplemental schedules will be made available promptly to all members and allied members of The New York Stock Exchange, Inc. in our organization. We further affirm that neither the Firm nor any partner has any proprietary interest in any account classified solely as that of a customer.



Managing Partner DATE 11-8-02



Chief Financial Officer DATE 11-8-02

Subscribed and sworn to before me
this 8th day of November, 2002.



Notary Public **Karen A. Dragilow**
Notary Public, State of New York
No. 01DR6038437
Qualified in Kings County
Commission Expires March 13, 2006

Deloitte & Touche LLP
Two World Financial Center
New York, New York 10281-1414

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**Deloitte
& Touche**

INDEPENDENT AUDITORS' REPORT

Carl H. Pforzheimer & Co.:

We have audited the accompanying statement of financial condition of Carl H. Pforzheimer & Co. (the "Firm") as of September 30, 2002, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Firm'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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, such statement of financial condition presents fairly, in all material respects, the financial position of Carl H. Pforzheimer & Co. at September 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP
November 8, 2002

CARL H. PFORZHEIMER & CO.

STATEMENT OF FINANCIAL CONDITION SEPTEMBER 30, 2002

ASSETS

| | |
|--|---------------------------|
| Cash | \$ 335,923 |
| Receivable from clearing organizations and brokers and dealers | 327,266 |
| Securities owned - at market value | 524,548 |
| Secured demand notes receivable (market value of collateral - \$3,430,078) | 2,213,000 |
| Memberships in exchanges (approximate market value - \$8,580,000) | 1,086,396 |
| Other assets | <u>45,009</u> |
| TOTAL | <u><u>\$4,532,142</u></u> |

LIABILITIES AND NET WORTH

| | |
|--|---------------------------|
| Accounts payable, accrued expenses and other | \$ 97,207 |
| Subordinated liabilities | 2,213,000 |
| Net worth | <u>2,221,935</u> |
| TOTAL | <u><u>\$4,532,142</u></u> |

See notes to financial statement.

CARL H. PFORZHEIMER & CO.

NOTES TO FINANCIAL STATEMENT YEAR ENDED SEPTEMBER 30, 2002

1. ORGANIZATION

Carl H. Pforzheimer & Co. (the "Firm") is a broker and dealer in securities registered with the Securities and Exchange Commission and is a member of The New York Stock Exchange, Inc. (the "NYSE"). The Firm utilizes another NYSE member broker and dealer to clear its transactions.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The statement of financial condition is prepared in conformity with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Management believes that the estimates utilized in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates.

Memberships in Exchanges - Memberships in exchanges are carried at adjusted cost. Certain exchange memberships are being leased on an annual basis and the related lease income is being recognized as earned.

Investments - The Firm has investment securities with a cost of approximately \$103,300 which are restricted as to sale under Securities and Exchange Commission rules and are carried at no value. The fair market value of such investments is not readily determinable. All other financial instruments are recorded at fair market value.

Depreciation - Equipment, leasehold improvements and furniture are stated at cost. Depreciation and amortization are computed using accelerated methods over the estimated useful lives of the assets, principally five to seven years.

Securities Owned - The Firm follows the practice of accounting for income from securities transactions on a trade date basis. Securities owned at September 30, 2002 are also recorded on a trade date basis. These securities consist principally of common stocks.

3. BORROWINGS

Borrowings subordinated to the claims of general creditors under Secured Demand Note Collateral Agreements have been approved by the NYSE. Such borrowings are available to the Firm in computing its net capital pursuant to the Uniform Net Capital Rule under the Securities Exchange Act of 1934. Maturity of the borrowings is automatically rolled over from year-to-year subject to certain provisions for accelerated maturities.

4. INCOME TAXES

As a partnership, the Firm is not subject to federal or state income taxes. The Partnership is responsible for the New York City unincorporated business tax (UBT), which is accounted for in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). SFAS No. 109 uses an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of items that have been recognized in financial statements or tax returns. The standard requires the financial statement recognition of deferred tax assets unless it is more likely than not that such assets will not be realized.

5. COMMITMENTS

The Firm is a party to a lease agreement covering office space. Such lease agreement contains standard real estate lease escalation clauses and provides for minimum annual rental payments as follows:

| Year Ending September 30, | Amount |
|------------------------------|-------------------|
| 2003 | 362,172 |
| 2004 | 362,172 |
| Remaining | <u>90,543</u> |
| Total | <u>\$ 814,887</u> |

6. EMPLOYEE PROFIT SHARING RETIREMENT PLAN

The Firm maintains a defined contribution profit sharing retirement plan (the "Plan") covering substantially all full-time employees. Employees are eligible for participation in the Plan based on hours of service. The Plan is noncontributory. The Plan includes provisions for partners and employees to participate in voluntary savings plans.

7. NET CAPITAL REQUIREMENTS

The Firm is subject to the Uniform Net Capital Rule (15c3-1) under the Securities Exchange Act of 1934. Under the basic method, net capital, as defined, must be equal to the greater of \$100,000 or 6-2/3% of aggregate indebtedness, as defined. At September 30, 2002, the Firm's net capital ratio was .027 to 1 and its net capital of \$3,256,868 was \$3,156,868 in excess of the minimum required net capital.

8. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET CREDIT RISK

As a securities broker, the Firm is engaged in various brokerage activities servicing a diverse group of domestic corporations, institutional and individual investors and other brokers and dealers. The Firm executes transactions and introduces them for clearance to another NYSE member firm on a fully disclosed basis. The Firm's exposure to credit risk associated with

nonperformance of these customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair the customer's ability to satisfy their obligations.

The Firm does not anticipate nonperformance by clients or counterparties in the above situations. The Firm, through its clearing broker, seeks to control the aforementioned risks by requiring clients and counterparties to maintain margin collateral in compliance with various regulatory and internal guidelines. The Firm's clearing broker monitors required margin levels daily and pursuant to such guidelines requires the client or counterparty to deposit additional collateral, or reduce positions, when necessary. The Firm's policy is to monitor its market exposure and counterparty risk. In addition, the Firm has a policy of reviewing, as considered necessary, the credit standing of each client and counterparty with which it conducts business.

Deloitte & Touche LLP
Two World Financial Center
New York, New York 10281-1414

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www.deloitte.com

**Deloitte
& Touche**

November 8, 2002

Carl H. Pforzheimer & Co.
650 Madison Avenue
New York, New York 10022

Dear Sirs:

In planning and performing our audit of the financial statements of Carl H. Pforzheimer & Co. (the "Firm") for the year ended September 30, 2002 (on which we issued our report dated November 8, 2002), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Firm's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Firm that we 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 for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Firm in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Firm does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Firm 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 internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") 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 Firm has responsibility are safeguarded against loss from unauthorized acquisition, 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 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.

**Deloitte
Touche
Tohmatsu**

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projection of any evaluation of the internal control or of such practices and procedures to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Firm's internal control would not necessarily disclose all matters in the Firm's 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 the internal control and its operation, (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 Commission 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 Firm's practices and procedures were adequate at September 30, 2002, to meet the Commission's objectives.

This report is intended solely for the information and use of the board of directors, management, the Securities and Exchange Commission, the New York Stock Exchange, Inc. and other regulatory agencies that 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.

Yours truly,

Deloitte + Touche LLP