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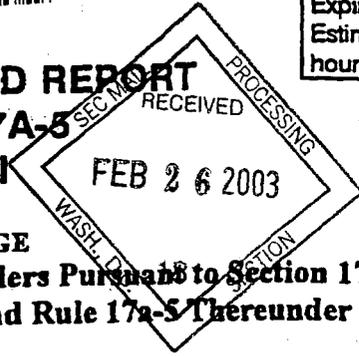
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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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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 01/01/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
R.F. LAFFERTY & CO., INC.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
80 BROAD STREET 26th FLOOR

OFFICIAL USE ONLY  
FIRM I.D. NO.

NEW YORK NEW YORK 10004  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
HENRY HACKEL (212) 293-9090  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

A.L. WELLEN & CO., CPA'S LLP

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

880 BERGEN AVENUE SUITE # 801 JERSEY CITY, NJ 07306  
(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 11 2003

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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)

MAR 10 2003

OATH OR AFFIRMATION

I, HENRY HACKEL, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of R.F. LAFFERTY & CO., INC., as of DECEMBER 31, 20 02, 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:

Subscribed and sworn to before me

s \_\_\_\_\_ day of July 2003

*Henry Hackel*  
HENRY HACKEL

Signature

PRESIDENT

Title

*Arthur P. Fisch*  
Arthur P. Fisch  
Notary Public-State of New York  
No. 02F14928994  
Qualified in Kings Co.  
Commission Expires April 4, 2006  
*Arthur P. Fisch*  
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 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.
- (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).

R. F. LAFFERTY & CO. INC.  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
REPORT ON INTERNAL CONTROL  
DECEMBER 31, 2002

R.F. LAFFERTY & CO., INC

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

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R.F. LAFFERTY & CO., INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2002

ASSETS

Cash & Cash Equivalents	\$ 287,445
Commissions receivable	363,454
Due from Brokers & Dealers	488,092
Securities owned by firm at market value	2,835
Prepaid Expenses	10,385
Unexpired insurance	6,528
Loans Receivable	32,465
Security Deposits	49,680
Fixed assets (net of Depreciation of \$ 237,397)	<u>88,781</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,329,665</u></b>

LIABILITIES & STOCKHOLDER'S EQUITY

LIABILITIES

Commission payable	\$ 24,900
Expenses Payable	379,961
Officer's Loan	<u>450,000</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 854,861</b>

STOCKHOLDER'S EQUITY

Capital Stock- Common	
1,000 shares authorized 200 shares issued \$	25,000
Additional Paid in Capital	283,000
Retained Earnings	304,128
Undistributed Profit (Loss)	<u>( 137,324)</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b><u>474,804</u></b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDER'S EQUITY</b>	<b><u>\$1,329,665</u></b>

THE ACCOMPANYING NOTES ARE AN  
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

R.F LAFFERTY & CO., INC.  
STATEMENT OF OPERATIONS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

REVENUE

Commissions & Fees		\$ 4,505,087
Rental Income		39,000
Trading Profit - realized	\$ 114,473	
Gain - unrealized	<u>38,750</u>	153,223
Dividend & Interest Income		<u>12,677</u>
TOTAL REVENUE		\$ 4,709,987

EXPENSES

Clearing charges, commissions & fees	\$ 716,462	
Employee compensation & related expenses	2,954,186	
Interest	34,267	
Depreciation	22,683	
Occupancy	181,277	
Communications	214,955	
Advertising and Promotion	54,415	
Other expenses per schedule	<u>445,787</u>	
TOTAL EXPENSES		<u>4,624,032</u>

NET PROFIT FOR THE PERIOD BEFORE INCOME TAXES		\$ 85,955
N.Y. State Corporate tax	\$ 420	
N.Y. City Corporate tax	<u>15,088</u>	15,508
NET PROFIT FOR THE PERIOD		<u>\$ 70,447</u>

THE ACCOMPANYING NOTES ARE AN  
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**R.F LAFFERTY & CO., INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Income		\$ 70,447
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation	\$ 22,683	
Increase in commission receivable	( 19,555)	
Decrease receivables from brokers & dealers	16,563	
Decrease in securities owned by firm	19,819	
Decrease in unexpired insurance	1,319	
Decrease in miscellaneous receivables	10,105	
Increase in loans receivables	( 25,302)	
Increase in security deposits	( 247)	
Increase in prepaid expenses	( 274)	
Decreases in taxes payable	( 1,500)	
Increase in expenses payable	164,869	
Increase in commission payable	14,073	
Decrease in officer's loans	<u>( 50,000)</u>	
<b>TOTAL ADJUSTMENTS</b>		<b><u>152,553</u></b>
 Net cash provided by operating activities		 \$ 223,000

**CASH FLOWS FROM INVESTING ACTIVITIES**

Capital expenditures – Purchase of fixed assets	\$( 19,452)	
 Net cash provided by investing activities		 <u>( 19,452)</u>
		\$ 203,548
 Cash and cash equivalents January 1, 2002		 <u>83,897</u>
Cash and cash equivalents December 31, 2002		<u>\$ 287,445</u>

**THE ACCOMPANYING NOTES ARE AN  
INTEGRAL PART OF THESE FINANCIAL STATEMENTS**

R.F. LAFFERTY & CO., INC.  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

<u>COMMON STOCK</u>	\$ 25,000
Total January 1, 2002	
Changes for the period- January 1, 2002 To December 31, 2002	none
 COMMON STOCK – DECEMBER 31, 2002	 \$ 25,000
 <u>RETAINED EARNINGS</u>	
Total January 1, 2002	\$ 304,128
Changes for the period – January 1, 2002 to December 31, 2002	none
 RETAINED EARNINGS – DECEMBER 31, 2002	 \$ 304,128
 <u>UNDISTRIBUTED PROFIT</u>	
Total January 1, 2002	\$( 207,771)
Net Profit for the period January 1, 2002 December 31, 2002	70,447
	\$( 137,324)
 LESS DISTRIBUTED TO SHAREHOLDER UNDISTRIBUTED ( LOSS) – DECEMBER 31, 2002	 -0- \$( 137,324)
 <u>ADDITIONAL PAID IN CAPITAL</u>	
Total January 1, 2002	\$ 283,000
Changes for the period January 1, 2002 to December 31, 2002	none
 ADDITIONAL PAID IN CAPITAL December 31, 2002	 \$ 283,000

THE ACCOMPANYING NOTES ARE AN  
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

R.F. LAFFERTY & CO., INC.  
STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002

Total January 1, 2002	none
Changes for the period – January 1, 2002 to December 31, 2002	<u>none</u>
<b>TOTAL SUBORDINATED LIABILITIES – DECEMBER 31, 2002</b>	<u><b>none</b></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS

R. F. LAFFERTY & CO., INC.  
NOTES TO FINANCIAL STATEMENTS ( CONTINUED)  
TWELVE MONTHS ENDED DECEMBER 31, 2002

NOTE 4 - LEASE COMMITMENTS

The lease on the premises at 80 Broad Street New York NY runs through May 2, 2004.

Rent Obligation

-2003	\$ 142,800
-2004	\$ 47,600

Lease on equipment

Annual amount to be paid:

-2003	\$ 4,164
-2004	\$ 12,285
-2005	\$ 3,123

NOTE 5 - INCOME TAXES

On November 1, 1988 the company elected to be taxed as a subchapter S Corporation. No income tax provision was made in the financial statements for federal Corporate taxes as the shareholder will report his share of corporate net income on his individual tax returns.

NOTE 6 - RULE 15c 3-3

It is the Company's intention to operate as an introducing broker, by clearing all transactions with and for customers on a fully disclosed basis with a clearing broker, and promptly transmitting all customer funds and securities to the clearing broker. Accordingly, the Company is exempt from the requirements of

NOTE 7 - INTERNAL CONTROL

There were no material inadequacies in the accounting system, internal accounting control, procedures for safeguarding securities or the procedures followed in complying with Rule 17a-15 of the Securities and Exchange Commission.

R.F. LAFFERTY & CO., INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
TWELVE MONTHS ENDED DECEMBER 31, 2002

NOTE 8 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash and cash equivalent are cash in checking accounts and in a money market account. The company paid \$ 34,267 in interest and paid \$ 17,298 in state and city corporate taxes during the twelve months ended December 31, 2002.

NOTE 9 - GENERAL INFORMATION

At December 31, 2002 the firm's aggregate indebtedness and net capital were \$ 854,861 and \$ 265,473 respectively, a ratio of 3.22 to one. The minimum required net capital was \$ 100,000. A copy of the firm's Financial Statements as at December 31, 2002 is available for inspection at the firm's office or at the Regional Office of the Securities & Exchange Commission.

**SCHEDULE I**

**R.F. LAFFERTY & CO., INC.**  
**COMPUTATION OF NET CAPITAL**  
**PURSUANT TO RULE 15c 3-1**  
**AS AT DECEMBER 31, 2002**

Stockholders' Equity-		
per statement of Financial Condition		\$ 474,804
 <b><u>CAPTIAL REDUCTIONS</u></b>		
Fixed assets (net of depreciation)	\$ 88,781	
Loans receivable	32,465	
Commission Receivables	10,000	
Due from broker	10,651	
Unexpired insurance	6,528	
Prepaid expenses	10,385	
Security deposit	49,680	
Securities reduction- haircuts	<u>841</u>	
TOTAL CAPITAL REDUCTIONS		<u>209,331</u>
 NET CAPITAL		 \$ 265,473
 Minimum net capital required		 <u>100,000</u>
 EXCESS NET CAPITAL		 <u>\$ 165,473</u>
 <b><u>ITEMS OF AGGREGATE INDEBTEDNESS</u></b>		
Commission payable	\$ 24,900	
Expenses Payable	379,961	
Officer's Loans	<u>450,000</u>	
TOTAL ITEMS OF INDEBTEDNESS		<u>\$ 854,861</u>
 Percentage of aggregate indebtedness to net capital		 <u>322%</u>

THE ACCOMPANYING NOTES ARE AN  
INTEGRAL PART OF THESE FIFNANCIAL STATEMENTS

**SCHEDULE II**

**R.F. LAFFERTY & CO., INC.**  
**RECONCILIATION OF FOCUS REPORT WITH**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

Net Capital – per computation of Net Capital December 31, 2002 on the audited report.		\$ 265,473
Additions: Prepaid expenses	\$ 465	
Miscellaneous rounding	<u>( 1 )</u>	<u>464</u>
NET CAPITAL PER FOCUS REPORT DECEMBER 31, 2002		<u>\$ 265,937</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS

**SCHEDULE III**

**R.F. LAFFERTY & CO., INC**  
**SCHEDULE OF OTHER EXPENSES**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31 2002**

**OTHER EXPENSES**

Professional fees	\$	14,279
Insurance		10,027
Office Expense, supplies, printing, postage & delivery		65,803
Seminars & Education		4,797
Travel, entertainment & auto		76,067
Membership Lease		140,000
Outside services		68,399
Registration & Exchange Fees		28,726
Error & Bad debt expenses		11,057
Publication and Dues		26,156
Bank Charges		<u>476</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>445,787</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART  
OF THESE FINANCIAL STATEMENTS

I, the President of R.F. Lafferty & Co. Inc. , 80 Broad Street, New York, NY 10004,  
hereby attest that the Financial Statements and Operational Reports as at December 31, 2002  
submitted by A. L. Wellen & Co. LLP Certified Public Accountants, 880 Bergen  
Avenue, Suite #801, Jersey City, NJ 07306, have been or will be made available to all  
members of our organization.



Henry Hackel

ATTESTED BY:



A. L. WELLEN & CO., LLP CPA'S

STATE OF NEW YORK            ]
CITY OF NEW YORK            ] SS:
BOROUGH OF MANHATTAN      ]

Henry Hackel, being sworn according to law, deposes and says:

I am the president of R.F. Lafferty & Co. Inc., 80 Broad Street, New York , NY 10004.

The report submitted by our accountants, A.L. Wellen & Co., LLP
Certified Public Accountants, as at December 31, 2002 showing a Statement of
Financial Condition, Statement of Income and Expenses, Statement of Cash Flows,
Statement of changes in Liabilities Subordinated to Claims of General Creditors, and
all other supporting schedules, is true and correct to the best of my knowledge and
belief.

[Handwritten signature of Henry Hackel]
HENRY HACKEL

Subscribed and sworn to before me

this 15 day of July 2003

[Handwritten signature of Arthur P. Fisch]
Arthur P. Fisch
Notary Public-State of New York
No. 02FI4928994
Qualified in Kings Co.
Commission Expires April 4, 2006

**A. L. Wellen & Co. LLP**  
**Certified Public Accountants**  
**880 Bergen Avenue Suite # 801**  
**Jersey City, NJ 07306-4310**

**Phone: (201) 653-2181**  
**Fax: (201) 653-7266**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC  
RULE 17a-5 FOR A BROKER DEALER CLAIMING AN EXEMPTION FROM SEC RULE  
15c3-3.**

**R.F. Lafferty & Co., Inc.**  
**80 Broad Street**  
**New York, NY 10004**

In planning and performing our audit of the financial statements of R.F. Lafferty & Co. Inc., for the twelve months ended December 31, 2002, 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 and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by R.F. Lafferty & Co., Inc, that we considered relevant to the objectives stated in rule 17a 5 (g) (I) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3 (a) (II) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the company (I) in making the quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by Rule 17a-13 or (II) 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 Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

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 judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices 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. 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 14a-5 (g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

R.F. Lafferty & Co., Inc.

Because of inherent limitation 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 or 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, including procedures for safeguarding securities, that we consider to be material weakness as defined above, except for:

The size of the business and resultant limited number of employees imposes practical limitations on the effectiveness of those internal control structure procedures that depend on the segregation of duties. Since this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

The foregoing condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of R.F. Lafferty & Co., Inc. for the year ended December 31, 2002 and this report does not affect our report thereon dated February 7, 2003.

We have advised you of the limitations of our audit regarding the detection of fraud that is immaterial to the financial statements (including immaterial misappropriation of cash or other assets). We have offered to perform other agreed-upon procedures specifically designed to detect such immaterial fraud for an additional fee. Although you understand the limitation of our audit, you did not wish to engage us to perform any such additional procedures at this time.

We do feel that more than one person should have knowledge of the bookkeeping and accounting functions of the company in case of accident or sickness etc.

R.F. Lafferty & Co., Inc.

We understand that practices and procedures that accomplish the objective referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose 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, 2002, to meet Commission's objectives.

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



A. L. Wellen & Co. LLP  
Jersey City, New Jersey

February 07, 2003