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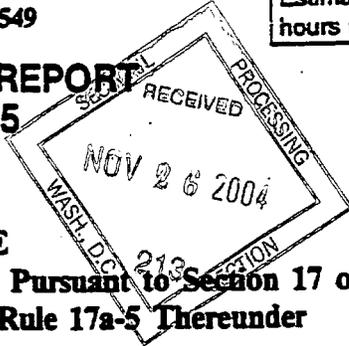
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AM 12-3-2004

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

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



SEC FILE NUMBER
8-23175

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 OCTOBER 1, 2003 AND ENDING SEPTEMBER 30, 2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
AKA: WM. V. Frankel & Co., Incorporated
WM. V. FRANKEL & CO., INC.

OFFICIAL USE ONLY
FIRM ID. NO.

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

(No. and Street)

JERSEY CITY NEW JERSEY 07303
(City) (State) (Zip Code)

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

PATRICK G. QUINN (201) 434-5149
(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SANFORD BECKER & CO., P.C.
(Name -- if individual, state last, first, middle name)

1430 BROADWAY 6TH FLOOR NEW YORK NY 10018
(Address) (City) (State) Zip Code

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

PROCESSED
DEC 10 2004
THOMSON
FINANCIAL

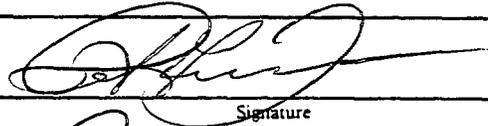
FOR OFFICIAL USE ONLY

*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

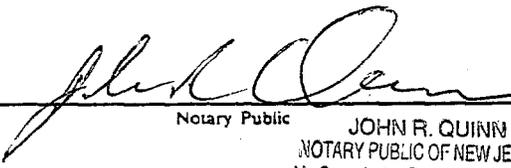
I, PATRICK G. QUINN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WM FRANKEL & CO, INC, as of SEPTEMBER, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



Signature


Title



Notary Public
JOHN R. QUINN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Nov. 16, 2005

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~~ CASH FLOWS
- (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).

**FORM
X-17A-5**

FOCUS REPORT

OMB No. 3235-0123
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

3/91

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) 16

2) Rule 17a-5(b) 17

3) Rule 17a-11 18

4) Special request by designated examining authority 19

5) Other 26

NAME OF BROKER-DEALER

WM. V. FRANKEL & CO., INC.

SEC FILE NO.

8-23175

FIRM ID. NO.

12 01895

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

30 MONTGOMERY STREET

(No. and Street)

JERSEY CITY

(City)

NJ

(State)

07303

(Zip Code)

FOR PERIOD BEGINNING (MM/DD/YY);

OCTOBER 1, 2003

AND ENDING (MM/DD/YY)

SEPTEMBER 30, 2004

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

PATRICK G. QUINN

(Area Code)—Telephone No.

(201) 434-5149

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the _____ day of _____ 19 _____

Manual signatures of:

1) _____
Principal Executive Officer or Managing Partner

2) _____
Principal Financial Officer or Partner

3) _____
Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:(a))

WM. V. FRANKEL & CO., INC.
SEPTEMBER 30, 2004

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SANFORD BECKER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

RICHARD S. BECKER, C.P.A.
SANFORD E. BECKER, C.P.A.
GEORGE S. GETZ, C.P.A.

SANFORD BECKER, C.P.A. 1922-1994

1430 BROADWAY
NEW YORK, N.Y. 10018
TELEPHONE - (212) 921 - 9000
FACSIMILE - (212) 354 - 1822

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Wm. V. Frankel & Co., Inc.
Jersey City, New Jersey

We have audited the accompanying statement of financial condition of Wm. V. Frankel & Co., Inc. as of September 30, 2004 and the related statements of income, changes in stockholder's equity and cash flows for the year 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 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 Wm. V. Frankel & Co., Inc. as of September 30, 2004 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 financial statements taken as a whole. The information contained in the schedules listed on the accompanying index 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 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.

New York, New York
November 10, 2004



**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER

WM. V. FRANKEL & CO., INC.

N 2

101

STATEMENT OF FINANCIAL CONDITION

As of (MM/DD/YY) **SEPTEMBER 30, 2004**

99

SEC FILE NO. **8-23175**

99

Consolidated 199
Unconsolidated 199

ASSETS

Allowable

Nonallowable

Total

| | | | | | |
|--|--------------|-----|--------|--------------|-----|
| 1. Cash | \$ 1,640,261 | 200 | | \$ 1,640,261 | 750 |
| 2. Cash segregated in compliance with federal and other regulations | | 210 | | | 760 |
| 3. Receivable from brokers or dealers and clearing organizations: | | | | | |
| A. Failed to deliver: | | | | | |
| 1. Includable in "Formula for Reserve Requirements" | | 220 | | | |
| 2. Other | 254,841 | 230 | | 254,841 | 770 |
| B. Securities borrowed: | | | | | |
| 1. Includable in "Formula for Reserve Requirements" | | 240 | | | |
| 2. Other | | 250 | | | 780 |
| C. Omnibus accounts: | | | | | |
| 1. Includable in "Formula for Reserve Requirements" | | 260 | | | |
| 2. Other | | 270 | | | 790 |
| D. Clearing organizations: | | | | | |
| 1. Includable in "Formula for Reserve Requirements" | | 280 | | | |
| 2. Other | 136,590 | 290 | | 136,590 | 800 |
| E. Other | | 300 | \$ 550 | | 810 |
| 4. Receivables from customers: | | | | | |
| A. Securities accounts: | | | | | |
| 1. Cash and fully secured accounts | | 310 | | | |
| 2. Partly secured accounts | | 320 | 560 | | |
| 3. Unsecured accounts | | | 570 | | |
| B. Commodity accounts | | 330 | | | 580 |
| C. Allowance for doubtful accounts | () | 335 | () | 590 | 820 |
| 5. Receivables from non-customers: | | | | | |
| A. Cash and fully secured accounts | | 340 | | | |
| B. Partly secured and unsecured accounts | | 350 | 600 | | 830 |
| 6. Securities purchased under agreements to resell | | 360 | 605 | | 840 |
| 7. Securities and spot commodities owned, at market value: | | | | | |
| A. Bankers acceptances, certificates of deposit and commercial paper | | 370 | | | |
| B. U.S. and Canadian government obligations | | 380 | | | |
| C. State and municipal government obligations | | 390 | | | |
| D. Corporate obligations | | 400 | | | |

OMIT PENNIES

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER **WM. V. FRANKEL & CO., INC.**

as of SEPTEMBER 30, 2004

STATEMENT OF FINANCIAL CONDITION

ASSETS

| | <u>Allowable</u> | <u>Nonallowable</u> | <u>Total</u> |
|---|------------------|---------------------|--------------|
| E. Stocks and warrants | \$ 2,448,014 | 410 | |
| F. Options | | 420 | |
| G. Arbitrage | | 422 | |
| H. Other securities | | 424 | |
| I. Spot commodities | | 430 | |
| | | | \$ 2,448,014 |
| 8. Securities owned not readily marketable: | | | |
| A. At Cost \$ | 130 | | |
| B. At estimated fair value | | 610 | 860 |
| 9. Other investments not readily marketable: | | | |
| A. At Cost \$ | 140 | | |
| B. At estimated fair value | | 620 | 870 |
| 10. Securities borrowed under subordination agree- ments and partners' individual and capital securities accounts, at market value: | | | |
| A. Exempted securities \$ | 150 | | |
| B. Other \$ | 160 | 630 | 880 |
| 11. Secured demand notes- market value of collateral: | | | |
| A. Exempted securities \$ | 170 | | |
| B. Other \$ | 180 | 640 | 890 |
| 12. Memberships in exchanges: | | | |
| A. Owned, at market value. . . . \$ | 190 | | |
| B. Owned at cost | | 650 | |
| C. Contributed for use of company, at market value | | 660 | 900 |
| 13. Investment in and receivables from affiliates, subsidiaries and associated partnerships | 480 | 2,213,615 | 2,213,615 |
| 14. Property, furniture, equipment, leasehold improvements and rights under lease agreements: | | | |
| At cost (net of accumulated depreciation and amortization) | 490 | 64,423 | 64,423 |
| 15. Other Assets: | | | |
| A. Dividends and interest receivable | 500 | 690 | |
| B. Free shipments | 510 | 700 | |
| C. Loans and advances | 520 | 678,777 | 710 |
| D. Miscellaneous | 530 | 35,341 | 720 |
| 16. TOTAL ASSETS | \$ 4,479,706 | \$ 2,992,156 | \$ 7,471,862 |
| | 540 | 740 | 940 |

OMIT PENNIE

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER WM, V. FRANKEL & CO., INC.

as of SEPTEMBER 30, 2004

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY

| <u>Liabilities</u> | <u>A.I. Liabilities *</u> | <u>Non-A.I. Liabilities *</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------------|--------------|
| 17. Bank loans payable: | | | |
| A. Includable in "Formula for Reserve Requirements" | \$ 1030 | \$ 1240 | \$ 1460 |
| B. Other | 1040 | 1250 | 1470 |
| 18. Securities sold under repurchase agreements .. | | 1260 | 1480 |
| 19. Payable to brokers or dealers and clearing organizations: | | | |
| A. Failed to receive: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1050 | 1270 | 1490 |
| 2. Other | 1060 | 29,030 1280 | 29,030 1500 |
| B. Securities loaned: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1070 | | 1510 |
| 2. Other | 1080 | 1290 | 1520 |
| C. Omnibus accounts: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1090 | | 1530 |
| 2. Other | 1095 | 1300 | 1540 |
| D. Clearing organizations: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1100 | | 1550 |
| 2. Other | 1105 | 1310 | 1560 |
| E. Other | 1110 | 1320 | 1570 |
| 20. Payable to customers: | | | |
| A. Securities accounts -including free credits of | \$ 950 | | 1580 |
| B. Commodities accounts | 1120 | 1330 | 1590 |
| 21. Payable to non-customers: | | | |
| A. Securities accounts | 34,887 1140 | 1340 | 34,887 1600 |
| B. Commodities accounts | 1150 | 1350 | 1610 |
| 22. Securities sold not yet purchased at market value - including arbitrage of | | \$ 216,099 1360 | 216,099 1620 |
| 23. Accounts payable and accrued liabilities and expenses: | | | |
| A. Drafts payable | 1160 | | 1630 |
| B. Accounts payable | 6,869 1170 | | 6,869 1640 |
| C. Income taxes payable | 1180 | | 1650 |
| D. Deferred income taxes | | 1370 | 1660 |
| E. Accrued expenses and other liabilities | 135,988 1190 | | 135,988 1670 |
| F. Other | 187,900 1200 | 1380 | 187,900 1680 |

OMIT PENNIE

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER **WM V FRANKEL & CO , INC**

as of SEPTEMBER 30, 2004

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

| <u>Liabilities</u> | <u>A.I. Liabilities *</u> | <u>Non-A.I. Liabilities *</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------------|--------------------------|
| 24. Notes and mortgages payable: | | | |
| A. Unsecured | \$ <u>1210</u> | | \$ <u>1690</u> |
| B. Secured | ‡ <u>1211</u> | \$ <u>1390</u> | \$ <u>1700</u> |
| 25. Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings | | <u>1400</u> | <u>1710</u> |
| 1. from outsiders † \$ <u>970</u> | | | |
| 2. Includes equity subordination (15c3-1 (d)) of \$ <u>980</u> | | | |
| B. Securities borrowings, at market value; from outsiders \$ <u>990</u> | | <u>1410</u> | <u>1720</u> |
| C. Pursuant to secured demand note collateral agreements; | | <u>1420</u> | ‡ <u>1730</u> |
| 1. from outsiders \$ <u>1000</u> | | | |
| 2. Includes equity subordination (15c3-1 (d)) of \$ <u>1010</u> | | | |
| D. Exchange memberships contributed for use of company at market value | | ‡ <u>1430</u> | <u>1740</u> |
| E. Accounts and other borrowings not qualified for net capital purposes | <u>1220</u> | <u>1440</u> | <u>1750</u> |
| 26. TOTAL LIABILITIES | \$ <u>365,644 - 1230</u> | \$ <u>245,129 - 1450</u> | \$ <u>610,773 - 1760</u> |

Ownership Equity

| | | |
|---|--------------------|--------------------------|
| 27. Sole proprietorship | | \$ <u>177</u> |
| 28. Partnership- limited partners \$ <u>1020</u> | | <u>178</u> |
| 29. Corporation: | | |
| A. Preferred stock | | <u>179</u> |
| B. Common stock | ‡ <u>400,000</u> | <u>179</u> |
| C. Additional paid-in capital | <u>1,000,000</u> | <u>179</u> |
| D. Retained earnings | <u>5,624,531</u> | <u>179</u> |
| E. Total | <u>7,024,531</u> | <u>179</u> |
| F. Less capital stock in treasury | <u>(163,442)</u> | <u>179</u> |
| 30. TOTAL OWNERSHIP EQUITY | | \$ <u>6,861,089 - 18</u> |
| 31. TOTAL LIABILITIES AND OWNERSHIP EQUITY | | \$ <u>7,471,862 - 18</u> |

OMIT PENN

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

WM. V. FRANKEL & CO., INC.

STATEMENT OF EARNINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2004

REVENUE

| | |
|----------------------------------|------------------|
| Principal Transactions - Trading | 5,722,035 |
| Other Revenue | 13,993 |
| TOTALS | <u>5,736,028</u> |

EXPENSES

| | |
|------------------------------------|------------------|
| Employee Compensation and Benefits | 2,632,839 |
| Communications | 143,733 |
| Occupancy Expenses | 160,304 |
| Clearance Charges | 193,458 |
| Promotional Costs | 64,008 |
| Other Operating Expenses | 2,166,894 |
| TOTALS | <u>5,361,236</u> |

| | |
|--|----------------|
| <u>Net Income Before Federal Income Tax</u> | 374,792 |
| Federal Income Tax (Note 1) | - |
| <u>Net Profit After Provision for Federal Income Tax</u> | <u>374,792</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

WM. V. FRANKEL & CO., INC.

STATEMENT OF STOCKHOLDERS' EQUITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2004

| | <u>TOTAL</u> | <u>COMMON STOCK</u> | <u>ADDITIONAL PAID-IN CAPITAL</u> | <u>CAPITAL STOCK IN TREASURY</u> | <u>RETAINED EARNINGS</u> |
|-------------------------------------|------------------|-------------------------|---|--------------------------------------|------------------------------|
| <u>Balance</u> - October 1, 2003 | \$ 6,736,297 | 400,000 | 1,000,000 | (163,442) | 5,499,739 |
| Deduct: | | | | | |
| Net Income | 374,792 | | | | 374,792 |
| Drawings | (250,000) | | | | (250,000) |
| <u>Balance</u> - September 30, 2004 | <u>6,861,089</u> | <u>400,000</u> | <u>1,000,000</u> | <u>(163,442)</u> | <u>5,624,531</u> |

WM. V. FRANKEL & CO., INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

| | |
|--|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net Income For The Year | \$ 374,792 |
| Adjustments to Reconcile Net Income to Net Cash Used for Operations | |
| Depreciation and Amortization | 49,803 |
| Decrease in Receivables From Brokers or Dealers | 72,022 |
| Increase in Other Assets | (20,954) |
| Decrease in Payables to Brokers or Dealers | (136,670) |
| Decrease in Accounts Payable and Accrued Expenses Payable | (61,333) |
| Increase in Payables Non-Customers | <u>22,813</u> |
| Total Adjustments | <u>(74,319)</u> |
| Net Cash Provided by Operating Activities | 300,473 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Increase in Securities Owned (Net) | <u>(331,579)</u> |
| Net Cash Used for Investing Activities | (331,579) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Stockholder Drawings | <u>(250,000)</u> |
| Net Decrease in Cash and Cash Equivalents | (281,106) |
| Cash and Cash Equivalents at Beginning of Year | <u>1,921,367</u> |
| Cash and Cash Equivalents at End of Year | <u><u>1,640,261</u></u> |

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

(1) Summary of Significant Accounting Policies:

Accounting for securities transactions is on a settlement date basis (normally three business days after trade date).

The corporation and shareholders have elected, effective January 1, 2000, to be treated as a Subchapter S corporation under applicable Federal and New Jersey State law. Accordingly no provision has been made for Federal Corporation Income Tax.

(2) Capital Stock:

Capital Stock consists of the following:

Common Stock without par value

Authorized 2,500 shares

Issued and Outstanding 2,239 shares

(3) Net Capital Requirements:

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities Exchange Act of 1934 which requires that the company maintain a ratio of aggregate indebtedness to net capital as defined, not to exceed 15 to 1. At September 30, 2004 the corporation's net capital was \$2,987,117 whereas the required net capital was \$1,000,000. Total aggregate indebtedness was \$365,644 and the percentage of aggregate indebtedness to net capital was 12% compared to a maximum allowable percentage of 1,500%.

(4) General Business:

The corporation was incorporated in the State of New Jersey on June 14, 1978 to succeed to the business of Wm. V. Frankel & Co., Inc., a New York Corporation.

Wm. V. Frankel & co., Inc. operates one office in Jersey City, New Jersey. Their primary source of revenues is market making in low priced securities listed as part of the NASD market.

(5) William V. Frankel, Inc. is obligated under the terms of a lease, for its office space, dated May 1, 2003, expiring April 30, 2006. The yearly base rent is \$102,500.00 in addition to the cost of utilities.

(6) The preparation of financial statements in conformity with generally accepted accounting principals 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 revenue and expense during the reporting period. Actual results could differ from these estimates. We do not consider any differences in these financial statements to be material.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

- (7) The corporation maintains cash in bank accounts which, at times, may exceed federally insured limits.
- (8) Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using accelerated methods over the estimated useful lives of the related assets.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER WM. V. FRANKEL & CO., INC.

as of SEPTEMBER 30, 2004

COMPUTATION OF NET CAPITAL

| | | | |
|---|-----------------|-----------|------|
| 1. Total ownership equity (from Statement of Financial Condition – Item 1800)..... | \$ | 6,861,089 | 3480 |
| 2. Deduct: Ownership equity not allowable for net capital | (| | 3490 |
| 3. Total ownership equity qualified for net capital..... | | 6,861,089 | 3500 |
| 4. Add: | | | |
| A. Liabilities subordinated to claims of general creditors allowable in computation of net capital..... | | | 3520 |
| B. Other (deductions) or allowable credits (List)..... | | | 3525 |
| 5. Total capital and allowable subordinated liabilities..... | \$ | 8,861,089 | 3530 |
| 6. Deductions and/or charges: | | | |
| A. Total non-allowable assets from | | | |
| Statement of Financial Condition (Note B and C) | \$ | 2,992,156 | 3540 |
| 1. Additional charges for customers' and non-customers' security accounts | | | 3550 |
| 2. Additional charges for customers' and non-customers' commodity accounts..... | | | 3560 |
| B. Aged fail-to-deliver: | | 14,614 | 3570 |
| 1. Number of items | ▼ ₂₉ | 62 | 3450 |
| C. Aged short security differences-less reserve of | \$ | 3460 | 3580 |
| number of items..... | | 3470 | |
| D. Secured demand note deficiency | | | 3590 |
| E. Commodity futures contracts and spot commodities – proprietary capital charges | | | 3600 |
| F. Other deductions and/or charges | | | 3610 |
| G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) .. | | | 3615 |
| H. Total deductions and/or charges | (| 3,006,770 | 3620 |
| 7. Other additions and/or allowable credits (List)..... | | | 3630 |
| 8. Net Capital before haircuts on securities positions | \$ | 3,854,319 | 3640 |
| 9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1 (f)): | | | |
| A. Contractual securities commitments | | | 3660 |
| B. Subordinated securities borrowings | | | 3670 |
| C. Trading and Investment securities: | | | |
| 1. Bankers' acceptances, certificates of deposit and commercial paper | ▼ ₃₁ | | 3680 |
| 2. U.S. and Canadian government obligations | | | 3690 |
| 3. State and municipal government obligations | | | 3700 |
| 4. Corporate obligations | | | 3710 |
| 5. Stocks and warrants..... | | 867,202 | 3720 |
| 6. Options | | | 3730 |
| 7. Arbitrage | | | 3732 |
| 8. Other securities | ▼ ₃₂ | | 3734 |
| D. Undue concentration..... | | | 3650 |
| E. Other (list) | | | 3736 |
| 10. Net Capital | \$ | 2,987,117 | 375 |

OMIT PENN

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER WM. V. FRANKEL & CO., INC.

as of SEPTEMBER 30, 2004

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

| | | | |
|---|----|-----------|----|
| 11. Minimum net capital required (6-2/3% of line 19) | \$ | 24,376 | 37 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 1,000,000 | 37 |
| 13. Net capital requirement (greater of line 11 or 12) | \$ | 1,000,000 | 37 |
| 14. Excess net capital (line 10 less 13) | \$ | 1,987,117 | 37 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) | \$ | | 37 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | | |
|--|----|---------|----|
| 16. Total A.L. liabilities from Statement of Financial Condition | \$ | 365,644 | 37 |
| 17. Add: | | | |
| A. Drafts for immediate credit | \$ | 3800 | |
| B. Market value of securities borrowed for which no equivalent value is paid or credited | \$ | 3810 | |
| C. Other unrecorded amounts (List) | \$ | 3820 | 37 |
| 18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1 (c) (1) (vii)) | \$ | | 37 |
| 19. Total aggregate indebtedness | \$ | 365,644 | 37 |
| 20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) | % | 12% | 37 |
| 21. Percentage of Aggregate Indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 ÷ by line 10 less Item 4880 page 11) | % | | 37 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

| | | | |
|--|----|-----|----|
| 22. 4% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits | \$ | N/A | 37 |
| 23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | | 37 |
| 24. Net capital requirement (greater of line 22 or 23) | \$ | | 37 |
| 25. Excess net capital (line 10 less 24) | \$ | | 37 |
| 26. Percentage of Net Capital to Aggregate Debts (line 10 ÷ by line 17 page 8) | % | | 37 |
| 27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debts (line 10 less Item 4880 page 11 ÷ by line 17 page 8) | % | | 37 |
| 28. Net capital in excess of the greater of: | | | |
| A. 6% of combined aggregate debit items or \$120,000 | \$ | | 37 |
| B. 7% of combined aggregate debit items or \$120,000 | \$ | | 37 |

OTHER RATIOS

Part C

| | | | |
|--|---|--|--|
| 29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) | % | | |
| 30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital | % | | |

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
 1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to Item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER WM V. FRANKEL & CO., INC. as of SEPTEMBER 30, 2004

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3
(See Rule 15c3-3, Exhibit A and Related Notes)**

CREDIT BALANCES

| | | | |
|--|------|------|------|
| 1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3) | ▼ \$ | 4340 | |
| 2. Monies borrowed collateralized by securities carried for the accounts of customers (see Note B) | | 4350 | |
| 3. Monies payable against customers' securities loaned (see Note C) | | 4360 | |
| 4. Customers' securities failed to receive (see Note D) | | 4370 | |
| 5. Credit balances in firm accounts which are attributable to principal sales to customers | | 4380 | |
| 6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days | | 4390 | |
| 7. **Market value of short security count differences over 30 calendar days old | | 4400 | |
| 8. **Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days | ▼ | 4410 | |
| 9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days | | 4420 | |
| 10. Other (List) | | 4425 | |
| 11. TOTAL CREDITS | \$ | | 4430 |

NOT
APPLICABLE

DEBIT BALANCES

| | | | |
|---|----|------|------|
| 12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3 | \$ | 4440 | |
| 13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver | | 4450 | |
| 14. Failed to deliver of customers' securities not older than 30 calendar days | | 4460 | |
| 15. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts (See Note F) | | 4465 | |
| 16. Other (List) | ▼ | 4469 | |
| 17. **Aggregate debit items | \$ | | 4470 |
| 18. **less 3% (for alternative method only — see Rule 15c3-1 (f) (5) (i)) | (| | 4471 |
| 19. **TOTAL 15c3-3 DEBITS | \$ | | 4472 |

RESERVE COMPUTATION

| | | | |
|--|------|------|------|
| 20. Excess of total debits over total credits (line 17 less line 11) | ▼ \$ | 4480 | |
| 21. Excess of total credits over total debits (line 11 less line 17) | | 4490 | |
| 22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits | | 4500 | |
| 23. Amount held on deposit in "Reserve Bank Account(s)", including value of qualified securities, at end of reporting period | | 4510 | |
| 24. Amount of deposit (or withdrawal) including \$ 4515 value of qualified securities | | 4520 | |
| 25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ 4525 value of qualified securities | \$ | | 4530 |
| 26. Date of deposit (MMDDYY) | | | 4540 |

OMIT PENNIES

FREQUENCY OF COMPUTATION

| | | |
|--|--------------------------------------|---------------------------------------|
| 27. Daily <input checked="" type="checkbox"/> 4332 | Weekly <input type="checkbox"/> 4333 | Monthly <input type="checkbox"/> 4334 |
|--|--------------------------------------|---------------------------------------|

**In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER WM. V. FRANKEL & CO., INC.

as of **SEPTEMBER 30, 2004**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3 (continued)**

EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

| | |
|--|----------------------------------|
| A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 | 4550 |
| B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained | EXEMPTION UNDER (K) (2) (1) 4560 |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm <input type="checkbox"/> | 4335 4570 |
| D. (k) (3)—Exempted by order of the Commission | 4580 |

Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and the number of items of:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3. Notes A and B

| | |
|--------------------------|--------------|
| A. Number of Items | \$ NONE 4586 |
| | 4587 |

Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D

| | |
|--------------------------|--------------|
| A. Number of Items | \$ NONE 4588 |
| | 4589 |

OMIT PENNIES

3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3

| | | | |
|---|------|-----------------------------|------|
| Yes <input checked="" type="checkbox"/> | 4584 | No <input type="checkbox"/> | 4585 |
|---|------|-----------------------------|------|

NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c 3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent within the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).

WM. V. FRANKEL & CO., INC.

RECONCILIATION OF COMPUTATION OF NET CAPITAL PURSUANT TO

UNIFORM NET CAPITAL RULE 15C3-1 TO CORPORATIONS

CORRESPONDING UNAUDITED FORM X-17A-5 PART II

FILING SEPTEMBER 30, 2004

Net Capital per Computation Pursuant to
Rule 17A-5

\$ 2,987,117

Net Capital Per Corporation's Unaudited
Form X-17A-5 Part II Filing

\$ 2,987,117

SANFORD BECKER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

RICHARD S. BECKER, C.P.A.
SANFORD E. BECKER, C.P.A.
GEORGE S. GETZ, C.P.A.

SANFORD BECKER, C.P.A. 1922-1994

1430 BROADWAY
NEW YORK, N.Y. 10018
TELEPHONE - (212) 921 - 9000
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REPORT ON INTERNAL CONTROL

Board of Directors
Wm. V. Frankel & Co., Inc.

In planning and performing our audit of the financial statements of Wm. V. Frankel & Co., Inc., for the year ended September 30, 2004, 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 assurances 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 Wm. V. Frankel & Co., Inc., that we considered relevant to the objectives stated in rule 17A-5 (g), (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17A-3 (a) (11) and the reserve required by rule 15C3-3(e); in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17A-13; 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; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15C3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure and 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 are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility and safeguarded against loss from unauthorized use or disposition and that the transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with general accepted accounting principals. Rule 17A-5 (g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in an 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 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 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 indicated 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 September 30, 2004 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities 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.

New York, New York,
November 10, 2004

