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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC Mail Processing  
Section

SEC FILE NUMBER
8- 67576

FEB 29 2012

FACING PAGE

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

washington, DC  
110

REPORT FOR THE PERIOD BEGINNING 1/1/2011 AND ENDING 12/31/2011  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER DEALER:

Drexel Hamilton, LLC

OFFICIAL USE ONLY
129966
FIRM ID. NO.

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

2000 Market Street, Suite 1460

(No. and Street)

Philadelphia

(City)

PA

(State)

19103

(Zip Code)

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

Colleen Lindh

(215) 988-9188

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

BBD, LLP

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

1835 Market Street, 26<sup>th</sup> Floor

(Address)

Philadelphia

(City)

PA

(State)

19103

(Zip Code)

**CHECK ONE:**

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

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).

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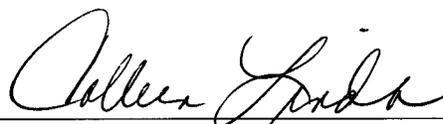
## OATH OR AFFIRMATION

I, Colleen Lindh, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Drexel Hamilton, LLC, as of December 31, 2011, 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:

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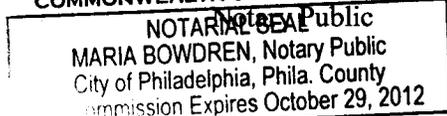


Signature

FINOP / CCO

Title





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This report\*\* contains (check all applicable boxes):

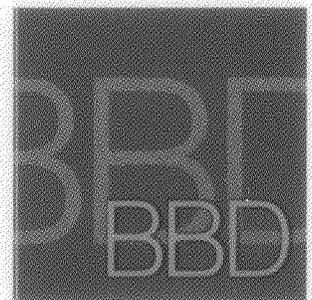
- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) 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.
- (o) Independent auditor's report on internal accounting control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

DREXEL HAMILTON, LLC

*FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
PURSUANT TO RULE 17a-5 OF  
THE SECURITIES EXCHANGE ACT OF 1934 AND  
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL*

YEAR ENDED DECEMBER 31, 2011



CERTIFIED PUBLIC ACCOUNTANTS

**DREXEL HAMILTON, LLC**

***FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
PURSUANT TO RULE 17a-5 OF  
THE SECURITIES EXCHANGE ACT OF 1934 AND  
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL***

**YEAR ENDED DECEMBER 31, 2011**

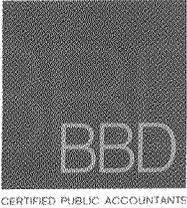
# DREXEL HAMILTON, LLC

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## INDEPENDENT AUDITOR'S REPORT

**To the Member  
Drexel Hamilton, LLC**

We have audited the accompanying statement of financial condition of Drexel Hamilton, LLC (a limited liability company) (the "**Company**") as of December 31, 2011, and the related statements of operations, changes in member'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 Drexel Hamilton, LLC at December 31, 2011, 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.

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 supplementary schedules on Pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*BBD, LLP*

**Philadelphia, Pennsylvania  
February 28, 2012**

**DREXEL HAMILTON, LLC**

**STATEMENT OF FINANCIAL CONDITION**

**December 31, 2011**

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**ASSETS**

Cash	\$ 20,261
Receivable from clearing organizations	2,296,885
Receivables from customers	260,117
Securities owned, at fair value	2,577,211
Secured demand note	78,000
Property and equipment, net	28,677
Other assets	<u>117,384</u>
<b>Total assets</b>	<b><u>\$5,378,535</u></b>

**LIABILITIES AND MEMBER'S EQUITY**

**LIABILITIES**

Securities sold, not yet purchased, at fair value	\$2,235,268
Accounts payable, accrued expenses and other liabilities	<u>329,552</u>

**Total liabilities** 2,564,828

**SUBORDINATED BORROWINGS**

2,453,000

**MEMBER'S EQUITY**

360,715

**Total liabilities and member's equity** **\$5,378,535**

# DREXEL HAMILTON, LLC

## STATEMENT OF OPERATIONS

Year ended December 31, 2011

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### REVENUE

Commissions	\$ 906,698
Gains on trading accounts	2,105,860
Advisory and underwriting fees	<u>1,492,021</u>
<b>Total revenue</b>	<u>4,504,579</u>

### EXPENSES

Salary and salary-related expenses	2,737,981
Communication and data processing	28,623
Occupancy	255,485
Professional fees	90,106
Commission and clearing	345,050
Trade support	362,086
Regulatory fees	56,419
Interest expense	112,007
Other expenses	<u>277,694</u>
<b>Total expenses</b>	<u>4,265,451</u>

**NET INCOME** \$ 239,128

**DREXEL HAMILTON, LLC**

**STATEMENT OF CHANGES IN MEMBER'S EQUITY**

**Year ended December 31, 2011**

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<b>BALANCE, January 1, 2011</b>	\$ 263,523
Capital contributions	85,000
Distributions	(226,936)
Net income	<u>239,128</u>
<b>BALANCE, December 31, 2011</b>	<u>\$ 360,715</u>

# DREXEL HAMILTON, LLC

## STATEMENT OF CASH FLOWS

Year ended December 31, 2011

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### CASH FLOWS FROM OPERATING ACTIVITIES

<b>Net income</b>	\$ 239,128
<b>Adjustments to reconcile net income to net cash used for operating activities</b>	
Write down of secure demand note	16,517
Depreciation	18,235
(Increase) decrease in	
Other assets	(84,336)
Receivable from clearing organizations	(1,345,968)
Receivables from customers	(222,614)
Securities owned and sold – net	(341,943)
Increase (decrease) in	
Accounts payable, accrued expenses and other liabilities	<u>134,543</u>
<b>Net cash used for operating activities</b>	<u>(1,586,438)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(22,641)</u>
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### CASH FLOWS FROM FINANCING ACTIVITIES

Capital contributions from member	85,000
Distributions to member	(173,277)
Proceeds from subordinated borrowings	<u>1,701,032</u>
<b>Net cash provided by financing activities</b>	<u>1,612,755</u>

<b>Net increase in cash</b>	3,676
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### CASH

Beginning of year	<u>16,585</u>
<b>End of year</b>	<u>\$ 20,261</u>

### NON-CASH INVESTING AND FINANCING ACTIVITIES

Advance to member reclassified as distribution to member	<u>\$ 53,659</u>
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### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid	<u>\$ 76,007</u>
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See accompanying notes

# DREXEL HAMILTON, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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### (1) NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Business**

Drexel Hamilton, LLC (the "**Company**"), a Pennsylvania limited liability company, is a broker-dealer registered with the Securities and Exchange Commission (the "**SEC**") and licensed by the Financial Industry Regulatory Authority ("**FINRA**"). The Company is owned by Drexel Hamilton Financial, LLC, the managing member. The Company is engaged in a single line of business as a securities broker-dealer. The Company is an introducing broker and clears all transactions through a clearing organization on a fully disclosed basis. The Company was formed in Pennsylvania on December 13, 2006. The Company's registration with the SEC was effective September 26, 2007.

#### **Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("**GAAP**") 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.

#### **Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and commissions receivable. The Company places its cash with high credit quality financial institutions. At times, such amounts may exceed federally insured limits. Account monitoring procedures are utilized to minimize the risk of loss from commissions receivable. The Company generally does not require collateral or other security from its customers.

#### **Receivables from Customers**

Receivables from customers are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Company's historical losses, current economic conditions and the financial stability of its customers. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The Company generally does not charge interest.

#### **Revenue Recognition**

Customer security transactions and the related commission income and expenses are recorded on a trade date basis as securities transactions occur. Profit and loss from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Advisory and underwriting fees are recognized as earned on a pro rata basis over the term of the contract.

#### **Fair Value Measurements of Assets and Liabilities**

Accounting standards define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by accounting standards, are used to measure fair value.

# DREXEL HAMILTON, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

**Level 1** – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

**Level 2** – Inputs (other than quoted market prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

**Level 3** – Observable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

### **Property and Equipment**

Property and equipment are recorded at cost. The Company depreciates its property and equipment using the straight-line method over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and fixtures	5 years

Maintenance and repairs are charged to operations. Major renewals and improvements are capitalized. At the time an item of physical property is retired, sold or otherwise disposed of, the cost of the asset and the related accumulated depreciation applicable to such item is relieved. Gains or losses resulting from retirements or sales are charged or credited to income.

The Company reviews long-lived assets for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recoverable. If the carrying amount of the asset exceeds the undiscounted future cash flows expected to be generated by the asset, an impairment charge is recognized.

### **Income Taxes**

The Company is a limited liability company and a wholly-owned subsidiary of Drexel Hamilton Financial, LLC, which is also a limited liability company. For both federal and state tax purposes, LLC's are taxed as partnerships. All income taxes on net earnings are payable by the members of the LLC and, accordingly, no provision for income taxes is required.

Accounting standards clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements by prescribing a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Accounting standards also provide guidance on derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition. It is the Company's policy to record interest and penalties related to uncertain income tax positions, if any, as a component of income tax expense.

As of December 31, 2011, the Company had no uncertain tax positions that would require recognition or disclosure in the financial statements. The Company does not file income tax returns because it is a disregarded entity for income tax purposes.

# DREXEL HAMILTON, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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### (2) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2011:

Property and equipment	\$55,332
Less: accumulated depreciation	<u>26,655</u>
Property and equipment, net	<u>\$28,677</u>

### (3) FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

The following table presents the Company's fair value hierarchy, as described in Note 1, for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Securities owned:				
Corporate and other debt	<u>\$2,655,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,655,211</u>
<b>Liabilities</b>				
Securities sold, not yet purchased:				
U.S. Government and agency	<u>\$2,235,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,235,268</u>

### (4) SUBORDINATED BORROWINGS

The borrowings under subordinated agreements at December 31, 2011 are as follows:

Subordinated note, 5.25%, due March 15, 2012	\$1,750,000
Subordinated note to related parties, up to 6% per annum, due through January 21, 2014	625,000
Subordinated note to related party pursuant to secured demand note collateral agreement, 3% per annum, due January 28, 2014	<u>78,000</u>
	<u>\$2,453,000</u>

The subordinated borrowings are available in computing net capital under the SEC's Uniform Net Capital Rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. The fair market value of subordinated borrowings is \$2,453,000.

### (5) COMMITMENTS AND CONTINGENCIES

#### Litigation

The Company is subject to litigation from time to time in the ordinary course of business. Although the amount of any liability with respect to such litigation cannot be determined, in the opinion of management, such liabilities will not have a material adverse effect on the Company's financial condition or results of operations.

#### Leases

The Company leases office space in Philadelphia, Pennsylvania, and New York, New York, under two separate lease agreements expiring through October 2016. Future minimum payments under these leases are \$152,741 in 2012, \$84,560 in 2013, \$86,372 in 2014, \$88,184 in 2015 and \$74,896 in 2016. Rent expense for the year ended December 31, 2011 was \$116,725.

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# DREXEL HAMILTON, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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### (6) NET CAPITAL REQUIREMENTS

The Company is subject to the SEC's Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital equal to the greater of \$100,000 or 6-2/3% of aggregate indebtedness, and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2011, the Company had net capital of \$2,311,316 which was \$2,211,316 in excess of its required net capital of \$100,000.

### (7) SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date and time the financial statements were issued on February 28, 2012. No material subsequent events have occurred since December 31, 2011 that required recognition or disclosure in our current period financial statements.

## **SUPPLEMENTARY INFORMATION**

## DREXEL HAMILTON, LLC

### COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2011

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Member's equity	\$ 360,715
Add: Liabilities subordinated to claims of general creditors	<u>2,453,000</u>
Total capital and allowable subordinated liabilities	<u>2,813,715</u>
Non-allowable assets	
Property and equipment	28,677
Other assets	117,384
Receivable from customers	<u>209,725</u>
Total non-allowable assets	<u>355,786</u>
Haircuts on securities owned:	
Debt securities	112,119
Undue concentration	<u>34,494</u>
Total haircuts on securities owned	<u>146,613</u>
Net capital	2,311,316
Minimum capital required per Rule 15c3-1(a)(2)(iii)	<u>100,000</u>
Excess net capital	<u>\$2,211,316</u>

Note: There are no material differences between the audited and unaudited computation of net capital pursuant to Rule 15c3-1.

## DREXEL HAMILTON, LLC

### *OTHER INFORMATION*

December 31, 2011

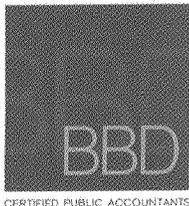
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**1. Computation for determination of the reserve requirements under Rule 15c3-3 of the SEC**

The Company operates under the exemptive provision of paragraph (k)(2)(ii) of SEC Rule 15c3-3. All customer transactions clear through Goldman Sachs, its clearing firm, on a fully disclosed basis.

**2. Information relating to possession or control requirements under SEC Rule 15c3-3 of the SEC**

The Company is subject to exemptive requirements of SEC Rule 15c3-3 and did not maintain possession or control of any customer funds or securities as of December 31, 2011.



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

**To the Member  
Drexel Hamilton, LLC**

In planning and performing our audit of the financial statements of Drexel Hamilton, LLC (the "**Company**"), as of and for the year ended December 31, 2011, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "**SEC**"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included 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(e). 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 and recordation of differences required by Rule 17a-13.
2. 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.
3. Obtaining and maintaining the physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3(e).

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 the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

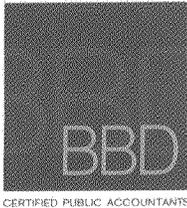
Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in the Company's internal control and control 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 on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Member, management, the SEC, the Financial Industry Regulatory Authority, 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.

*BBA, LLP*

**Philadelphia, Pennsylvania**  
**February 28, 2012**



**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES RELATED TO  
AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

**To the Member  
Drexel Hamilton, LLC**

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation ("**SIPC**") for the year ended December 31, 2011, which were agreed to by Drexel Hamilton, LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Drexel Hamilton, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Drexel Hamilton, LLC's management is responsible for Drexel Hamilton, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement entries from checking account statements noting no differences;
2. Compared the amounts reported on the audited statement of operations for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011 noting no differences; and
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*BBD, LLP*

**Philadelphia, Pennsylvania  
February 28, 2012**

# DREXEL HAMILTON, LLC

## SCHEDULE OF ASSESSMENT AND PAYMENTS TO THE SECURITIES INVESTORS PROTECTION CORPORATION (SIPC) – PURSUANT TO RULE 17a-5(e)(4)

Year ended December 31, 2011

General assessment		\$ 10,136
Less:		
Prior year overpayment	\$ 150	
Payments made:		
SIPC-6: July 25, 2011	4,127	
SIPC-7: February 17, 2012	<u>5,859</u>	
		<u>10,136</u>
Total assessment balance due		<u>\$ -</u>
Determination of SIPC net operating revenues and general assessment		
Total revenue (Focus Line 12/Part IIA Line 9)		\$4,504,579
Additions		
Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above		
Net loss from principal transactions in securities in trading accounts		
Net loss from principal transactions in commodities in trading accounts		
Interest and dividend expense deducted in determining total revenue		
Net loss from management of or participation in the underwriting or distribution of securities		
Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management or participation in underwriting or distribution of securities		
Net loss from securities in investment accounts		
Total additions		
Deductions		
Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products		
Revenues from commodity transactions		
Commissions, floor brokerage and clearance paid to other SIPC members in connection with security transactions		345,050
Reimbursements for postage in connection with proxy solicitation		
Net gain from securities in investment accounts		
100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptance or commercial paper that mature nine months or less from issuance date		
Direct expenses of printing, advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act)		
Other revenue not related either directly or indirectly to the securities business		
The greater of:		
Total interest and dividend expense (Focus Line 22/Part IIA, Line 13 plus interest and dividend income included in additions in total revenues above	105,293	
40% of interest earned on Customers securities accounts (40% of FOCUS Line 5)		
		<u>105,293</u>
Total deductions		<u>450,343</u>
SIPC net operating revenues		<u>\$4,054,236</u>
General assessment @ .0025		<u>\$ 10,136</u>

BBD,LLP

CERTIFIED PUBLIC ACCOUNTANTS

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