

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: April 30, 2013  
Estimated average burden  
hours per response . . . 12.00



12060681

KW 4/5

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

SEC  
Mail Processing  
Section

APR - 2 2012  
Washington, DC  
123

SEC FILE NUMBER  
8-32131

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 02/01/11 AND ENDING 1/31/12  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

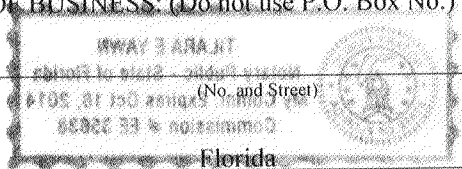
NAME OF BROKER-DEALER:

The Pennsylvania Group, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

4445 N. A1A



(No. and Street)

Vero Beach,

(City)

Florida

(State)

32963

(Zip Code)

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

Anthony Buford

772-231-4017

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Carr, Riggs & Ingram, LLC

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

1031 W. Morse Blvd., Suite 200, Winter Park, Florida 32789

(Address)

(City)

(State)

(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).

AB  
4/5

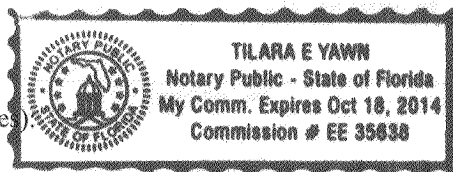
OATH OR AFFIRMATION

I, Anthony Buford swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Pennsylvania Group, Inc. as of January 31, 2012, 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

Anthony Buford  
Signature  
President  
Title

Tilara E Yawn  
Notary Public  
Jan 31, 2012



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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Pursuant to 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).



Carr, Riggs & Ingram, LLC  
1031 West Morse Boulevard  
Suite 200  
Winter Park, Florida 32789

(407) 644-7455  
(407) 628-5277 (fax)  
www.cricpa.com

## Independent Auditor's Report

Board of Directors  
The Pennsylvania Group, Inc.  
Vero Beach, Florida

We have audited the accompanying statement of financial condition of The Pennsylvania Group, Inc. as of January 31, 2012, and the related statements of operations, 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 The Pennsylvania Group, Inc. as of January 31, 2012, 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 financial statements as a whole. The supplementary information, computation of net capital and computation of aggregate indebtedness, required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Carr Riggs & Ingram LLC*

March 29, 2012

THE PENNSYLVANIA GROUP, INC.  
STATEMENT OF FINANCIAL CONDITION

JANUARY 31, 2012

ASSETS

Cash and cash equivalents	\$ 5,700
Due from broker	90,927
Advances to stockholder	58,657
Advances to registered representative	18,574
Other assets	<u>1,214</u>
	<u>\$ 175,072</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued expenses	<u>\$ 5,586</u>
Stockholder's equity:	
Common stock, \$.01 par value; 1,000,000 shares authorized, 118,000 issued and outstanding	1,180
Additional paid-in capital	84,857
Retained earnings	<u>83,449</u>
	<u>169,486</u>
	<u>\$ 175,072</u>

THE PENNSYLVANIA GROUP, INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JANUARY 31, 2012

Revenues:	
Commission income	\$ 40,500
Other income	<u>6,935</u>
	<u>47,435</u>
Expenses:	
Clearing fees	13,605
Employee benefits	21,676
Professional services	10,807
Overhead expenses	4,653
Loss on disposal of assets	5,406
Other expenses	<u>13,744</u>
	<u>69,891</u>
Net loss	<u>\$ (22,456)</u>

THE PENNSYLVANIA GROUP, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE YEAR ENDED JANUARY 31, 2012

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balances, February 1, 2011	118,000	\$ 1,180	\$ 84,857	\$ 105,905	\$ 191,942
Net loss for the year ended January 31, 2012	-	-	-	(22,456)	(22,456)
Balances, January 31, 2012	<u>118,000</u>	<u>\$ 1,180</u>	<u>\$ 84,857</u>	<u>\$ 83,449</u>	<u>\$ 169,486</u>

THE PENNSYLVANIA GROUP, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JANUARY 31, 2012

Cash flows from operating activities:	
Net loss	<u>\$ (22,456)</u>
Adjustments to reconcile net loss to net cash provided by operating activities:	
Loss on disposal of assets	5,406
Changes in operating assets and liabilities:	
Decrease in due from broker	33,169
Increase in advances to stockholder	(15,974)
Decrease in advances to registered representative	5,818
Increase in other assets	(693)
Decrease in accounts payable and accrued expenses	<u>(741)</u>
Net cash provided by operating activities	<u>26,985</u>
Net increase in cash and cash equivalents	4,529
Cash and cash equivalents at beginning of year	<u>1,171</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,700</u></u>

THE PENNSYLVANIA GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JANUARY 31, 2012

1. Nature of operations and summary of significant accounting policies:

Nature of operations and organization:

The Pennsylvania Group, Inc., (the "Company") is headquartered in Florida. The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). At January 31, 2012, the Company was registered to conduct business in Florida and New York.

Cash equivalents:

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Due from broker:

Due from broker represents monies due to the Company from its clearing agent for transactions processed.

Revenue recognition:

Customers' securities transactions are recorded by the clearing broker on a settlement date basis and the related commission income and expenses are recorded by the Company on a trade date basis.

Income taxes:

Income taxes are determined in accordance with FASB Accounting Standards Codification ("FASB ASC"), No. 740, *Income Taxes*, which requires an asset and liability approach for financial accounting and reporting of income taxes. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. No income tax provision was calculated for the year ended January 31, 2012 due to the Company incurring a net loss.

Uncertain tax positions:

The Company has adopted the provisions of FASB ASC No. 740, *Income Taxes*. As a result of the implementation, the Company has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject the Company to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses as there are no unrecognized tax benefits. The tax years that remain subject to examination are the periods beginning on February 1, 2008 for all major tax jurisdictions.



THE PENNSYLVANIA GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED JANUARY 31, 2012

1. Nature of operations and summary of significant accounting policies - continued:

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and to reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Transaction clearing agreements:

The Company does not carry accounts for customers or perform custodial functions related to customers' securities. The Company introduces all of its customer transactions to its clearing broker, a member of the New York Stock Exchange, who clears all security transactions, in addition to providing clearing and depository operations for proprietary security operations.

Computation of customer reserve:

The Company is exempt from customer reserve requirements and providing information relating to possession or control of securities pursuant to rule 15c3-3 under the Securities Exchange Act of 1934. The Company meets the exempting provisions of paragraph (k)(2)(ii).

2. Net capital requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital at an amount equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness, and requires that the ratio of aggregate indebtedness to net capital not exceed 15 to 1. In August 2011, the minimum net capital required decreased from \$100,000 to \$5,000 because the Company is no longer engaging in proprietary trading activities. The Company's FINRA Membership Agreement was modified to reflect this change in the minimum required net capital amount.

At January 31, 2012, the Company had excess net capital of \$86,041 and a net capital ratio of 0.06 to 1.

3. Liability subordinated to the claims of creditors:

None of the Company's liabilities have been subordinated to the claims of general creditors at January 31, 2012.

4. Related party transactions:

Advances to stockholder and advances to registered representative represents non-interest bearing advances to related parties.

THE PENNSYLVANIA GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED JANUARY 31, 2012

5. Income taxes:

The deferred tax asset is comprised of the following as of January 31, 2012:

Deferred tax asset	\$ 26,361
Valuation allowance	<u>(26,361)</u>
	<u>\$ _____</u>

The Company's effective income tax benefit is lower than what would be expected if the federal statutory rate were applied to the loss from continuing operations because an allowance has been established for the deferred tax asset. The allowance for the deferred tax asset increased by \$6,261 for the year ended January 31, 2012.

At January 31, 2012, the Company had net operating loss carryforwards for income tax purposes of approximately \$134,000 which are available to offset federal and state taxable income through 2032.

6. Concentrations:

During the year ended January 31, 2012, the Company had one customer for whom all commission income was derived from.

7. Supplementary disclosures of cash flow information:

Cash was paid during the year for:

Interest	<u>\$ _____</u>
Income taxes	<u>\$ _____</u>

8. Subsequent events:

Subsequent events were evaluated through the date the financial statements were available to be issued. The financial statements were approved and authorized for issue by management on March 29, 2012.

THE PENNSYLVANIA GROUP, INC.

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

JANUARY 31, 2012

Net capital:	
Total stockholder's equity	\$ 169,486
Deductions:	
Non-allowable assets:	
Advances to stockholder	58,657
Advances to registered representative	18,574
Other assets	1,214
	<u>78,445</u>
Net capital	<u>\$ 91,041</u>
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of January 31, 2012)	
Net capital, as reported in the Company's Part II FOCUS report	<u>\$ 91,041</u>

THE PENNSYLVANIA GROUP, INC.

COMPUTATION OF AGGREGATE INDEBTEDNESS UNDER  
RULE 17a-5 OF SECURITIES AND EXCHANGE COMMISSION

JANUARY 31, 2012

Accounts payable and accrued expenses and aggregate indebtedness	<u>\$ 5,586</u>
Ratio of aggregate indebtedness to net capital	<u>0.06 to 1</u>

Independent Auditor's Report  
On Internal Control Required By SEC Rule 17a-5

Board of Directors  
The Pennsylvania Group, Inc.  
Vero Beach, Florida

In planning and performing our audit of the financial statements of The Pennsylvania Group, Inc., (the "Company") for the year ended January 31, 2012, in accordance with auditing standards generally accepted in the United States of America, 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 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 and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. 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.

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 previously 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 the 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, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit 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 internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

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 January 31, 2012, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.

CAM RIGGS, INGRAM LLC

March 29, 2012

Independent Accountant's Report On Applying  
Agreed-upon Procedures Required by SEC Rule 17a-5(e)(4)

Board of Directors  
The Pennsylvania Group, Inc.  
Vero Beach, Florida

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 January 31, 2012, which were agreed to by The Pennsylvania Group, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC solely to assist you and the other specified parties in evaluating The Pennsylvania Group, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Pennsylvania Group, Inc.'s management is responsible for The Pennsylvania Group, Inc.'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 the 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 payment in the Form SIPC-7 with respective cash disbursements records entries on the general ledger. It was noted that no assessment payments were made.
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended January 31, 2012, as applicable, with the amounts reported in the Form SIPC-7 for the year ended January 31, 2012 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed 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 above and is not intended to be and should not be used by anyone other than those specified parties.

*CARR RIGGS & INGRAM LLC*

March 29, 2012

**SIPC-7**

(33-REV 7/10)

**SECURITIES INVESTOR PROTECTION CORPORATION**  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

For the fiscal year ended JANUARY, 20 12  
(Read carefully the instructions in your Working Copy before completing this Form)

**SIPC-7**

(33-REV 7/10)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

8-032131 FINRA JAN 7/1/1984  
PENNSYLVANIA GROUP INC  
4445 NORTH ALA SUITE 222  
VERO BEACH, FL 32963

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Tony Buford 772-713-3202

A. General Assessment (item 2e from page 2) \$ 67.24

B. Less payment made with SIPC-6 filed (exclude interest) - 0 -

C. Less prior overpayment applied 147.93

D. Assessment balance due or (overpayment) (80.69)

E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum

F. Total assessment balance and interest due (or overpayment carried forward) \$ (80.69)

G. PAID WITH THIS FORM:  
Check enclosed, payable to SIPC  
Total (must be same as F above)

\$ - 0 -  
\$( 80.69 )

H. Overpayment carried forward

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

N/A

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

PENNSYLVANIA GROUP, INC  
(Name of Corporation, Partnership or other organization)

x Tony Buford  
(Authorized Signature)

x President 3-19-12  
(Title)

\* Dated the 19 day of March, 20 12.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**

Dates: Postmarked Received Reviewed  
Calculations \_\_\_\_\_ Documentation \_\_\_\_\_ Forward Copy \_\_\_\_\_  
Exceptions:  
Disposition of exceptions:



**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning Feb. 1, 20 11  
and ending JAN. 31, 20 12

Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$26,905

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

- (1) 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.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) 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).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

State Income Tax Refund  
(Deductions in excess of \$100,000 require documentation)

10

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income. \$ \_\_\_\_\_

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960). \$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

Total deductions

00  
10

2d. SIPC Net Operating Revenues

\$26,895

2e. General Assessment @ .0025

\$67.24

(to page 1, line 2.A.)

*Financial Statements*

The Pennsylvania Group, Inc.

January 31, 2012