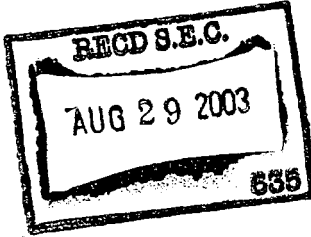


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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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 07/01/02 AND ENDING 06/30/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Padden & Company, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

100 West Monroe Street, Suite 706

(No. and Street)

Chicago, I

Illinois

60603

(City)

(State)

(Zip Code)

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

David H. Padden

(312) 263-5970

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Dooley, Bradford R. CPA

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

220 S. State Street

Chicago,

Illinois

60604

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

SEP 05 2003

FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

*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, David H. Padden, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Padden & Company, Inc., as of

June 30, 2003, 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

[Handwritten signature of David H. Padden]

Signature

Sworn and subscribed to me on the 22nd day of August, 2003.

President

Title

[Handwritten signature of Erica Tebo]

Notary Public



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

- (a) Facing page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole 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).

PADDEN & COMPANY, INC.

STATEMENT OF FINANCIAL CONDITION

JUNE 30, 2003

(FILED PURSUANT TO RULE 17a-5(d)

UNDER THE SECURITIES EXCHANGE ACT

OF 1934)

BRADFORD R. DOOLEY & ASSOCIATES

Accountants and Auditors

220 SOUTH STATE STREET - SUITE 1910

CHICAGO, ILLINOIS 60604

Member
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ILLINOIS CPA SOCIETY

TELEPHONE
(312) 939-0477
FAX
(312) 939-8739

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Padden & Company, Inc.
Chicago, Illinois 60603

I have audited the accompanying statement of financial condition of Padden & Company, Inc. as of June 30, 2003. this financial statement is the responsibility of the Company's management. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Padden & Company, Inc. as of June 30, 2003, in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountant

Chicago, Illinois
August 22, 2003

PADDEN & COMPANY, INC.
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 2003

ASSETS

Cash in bank	\$ 412,656
Receivables	
Municipalities and other	880,375
Marketable securities owned, at market value	35,140
Furnishings and equipment at cost, less accumulated depreciation of \$175,061	1,804
Accrued interest receivable	13,531
Other assets	<u>26,040</u>
 Total assets	 <u>\$ 1,369,546</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Payables	
Municipalities	\$ 3,397
Other payables and accrued expenses	<u>14,409</u>
 Total liabilities	 17,806

Stockholders' Equity

Common stock, no par value; 1,000 shares authorized; 700 shares issued and outstanding	\$ 100,000
Retained earnings	<u>1,251,740</u>
 Total stockholders' equity	 <u>1,351,740</u>
 Total liabilities and stockholders' equity	 <u>\$ 1,369,546</u>

The accompanying notes are an integral part of this statement.

PADDEN & COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

1) **Summary of Significant Accounting Policies**

Business Activities

Padden & Company, Inc. operates as a broker/dealer and is accordingly required to abide by all applicable rules and regulations of the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory bodies.

Padden & Company, Inc. (the "Company") purchases municipal bonds, vouchers and leases from contractors and others. These financial instruments are then generally sold to the Company's customers. These transactions are reflected in the accounts at the time the securities are actually purchased.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Furnishings and Equipment

Furnishings and equipment are depreciated over their estimated useful lives using straight-line and accelerated methods.

Marketable Securities

Securities owned are valued at market prices consistent with industry practice.

Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks.

Income Taxes

The statutory Federal income tax rate differs from the effective tax rate because of tax-exempt municipal securities interest income.

Concentration of Credit Risk

In the normal course of business, the Company advances interest payments to its customers when principal payments are made by various municipalities, (primarily Chicago, Illinois). The Company is dependent on the economy of the Chicago, Illinois area and the City of Chicago.

PADDEN & COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

2) **Related Party Transactions**

The Company is related to Padco Lease Corp. due to common stock ownership. During the year ended June 30, 2003, various unsecured loans were made between the related companies. No interest was paid or received during the year ended June 30, 2003. At June 30, 2003 there was no amount due to or from the affiliated company.

During the fiscal year ended June 30, 2003, Padco Lease Corp. reimbursed the Company \$30,000 for office rent.

3) **Federal Income Taxes**

The Company has available Federal net operating losses as follows:

Expires In The Fiscal Year Ended	<u>June 30,</u>	<u>Amount</u>
2011		\$ 21,744
2012		77,960
2013		36,159
2019		143,527
2020		239,074
2021		241,110
2022		269,825
2023		271,004

The Company's Federal income tax returns are subject to review for the statutory period.

4) **Net Capital Requirements**

The Company is a broker/dealer subject to the Securities and Exchange Commission Uniform Net Capital rule (Rule 15c3-1). The Company is required to maintain "adjusted net capital" equivalent to \$250,000 or 6 2/3% of "aggregate indebtedness", whichever is greater, as these terms are defined.

Adjusted net capital and aggregate indebtedness change from day to day, but at June 30, 2003, the Company had adjusted net capital and net capital requirements of \$403,853 and \$250,000 respectively. The net capital rule may effectively restrict the payment of cash dividends.

PADDEN & COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

5) **Commitments and Contingencies**

The Company occupies its office under a lease which expires on August 31, 2007. Rent expense including utilities and additional operating costs for the fiscal year ended June 30, 2003 was \$15,283. This amount has been reduced by reimbursements from a related company as described in Note (2). Future rental commitments under the terms of the lease are as follows:

<u>Year Ending</u>	<u>Minimum Rent</u>
June 30, 2004	\$ 41,976
June 30, 2005	41,976
June 30, 2006	44,816
June 30, 2007	46,324
June 30, 2008	<u>7,752</u>
	Sub-total
	182,844
Thereafter	<u>-0-</u>
	Total
	<u>\$ 182,844</u>

In addition, the Company may be obligated to additional amounts for its allocated portion of increased operating costs.