

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☒ (X) Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2000

or

☐ () Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number: 0-12926

FECHTOR, DETWILER, MITCHELL & CO.
(Exact name of registrant as specified in its charter)

<u>Delaware</u> (State or other jurisdiction of incorporation or organization)	<u>95-2627415</u> (I.R.S. Employer Identification No.)
<u>225 Franklin Street</u> <u>Boston, MA</u> (Address of principal executive offices)	<u>02110</u> (Zip Code)

Registrant's telephone number, including area code: 617-451-0100

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which it is registered</u>
<u>Common Stock</u>	<u>Pacific Exchange</u>

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, Par Value \$.01 Per Share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of the common stock on February 19, 2001, as reported on the Nasdaq SmallCap Market, was approximately \$5,557,016. Shares of common stock held by each officer and director of the Registrant and by each person who owns 5% or more of the Registrant's outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

As of February 19, 2001, the registrant had 10,447,251 shares of common stock, \$0.01 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders which is presently expected to be held on March 26, 2001, which Proxy Statement is expected to be filed with the Securities and Exchange Commission on or before March 5, 2001 and is referred to herein as the "Proxy Statement," are incorporated herein by reference into Part III hereof as provided in such Part.

FECHTOR, DETWILER, MITCHELL & CO.

INDEX TO FORM 10-K

	<u>Page</u>
PART I.	
Item 1. Business	3
Item 2. Properties	6
Item 3. Legal Proceedings.....	6
Item 4. Submission of Matters to a Vote of Security Holders	6
PART II.	
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters	7
Item 6. Selected Financial Data	8
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 7a. Quantitative and Qualitative Disclosures About Market Risk	12
Item 8. Financial Statements and Supplementary Data	13
Consolidated Statement of Financial Condition at December 31, 2000 and December 31, 1999	13
Consolidated Statement of Income for the years ended December 31, 2000, 1999 and 1998	14
Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2000, 1999 and 1998	15
Consolidated Statement of Cash Flows for the years ended December 31, 2000, 1999 and 1998	16
Notes to Consolidated Financial Statements	17
Independent Accountant's Report (2000)	27
Independent Auditor's Report (1999)	28
Report of Independent Public Accountants (1998)	29
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	30
PART III.	
Item 10. Directors and Executive Officers of the Registrant	31
Item 11. Executive Compensation	31
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	31
Item 13. Certain Relationships and Related Transactions	31
PART IV	
Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K	32
Signatures	34

PART I

Item 1. *Description of Business*

General

On August 30, 1999, Fechtor, Detwiler & Co. combined with JMC Group, Inc. to form Fechtor, Detwiler, Mitchell & Co. (the “Company”). The consolidated financial statements of Fechtor, Detwiler, Mitchell & Co. include its two principal operating subsidiaries: Fechtor, Detwiler & Co., Inc., an investment banking and brokerage company headquartered in Boston, MA, and James Mitchell & Co., a financial services company located in San Diego, CA. For accounting purposes, JMC Group, Inc. is the acquired firm and is included in the 1999 financial statements beginning September 1, 1999. Financial data for periods prior to 1999 represent that of Fechtor, Detwiler & Co., Inc.

On January 25, 2001, the Company announced its acquisition of K. & S., Inc., a specialist firm with operations at the Boston Stock Exchange effective January 1, 2001. K. & S., Inc. is one of the largest independently owned specialist operations on the Boston Stock Exchange and was formed 28 years ago. Kenneth M. King, President of K. & S., Inc., will continue to serve as President of the firm.

Additionally, in December 2000 the Company formed Detwiler, Mitchell & Co. (UK) Limited (“DMC UK”) headquartered in London, England. DMC UK has not started operations as of yet, however, once regulatory approvals are received, it will conduct institutional sales and investment banking throughout the UK, Europe and Canada. Principals of DMC UK have significant international investment experience and specialize in providing focused research on a limited number of industries.

Fecht, Detwiler & Co., Inc.

Fecht, Detwiler & Co., Inc. (“Fecht Detwiler” or the “Firm”) is a New England regional securities brokerage and investment banking firm headquartered in Boston, Massachusetts. The Firm was founded in 1962 as a sole proprietorship and was incorporated in 1971. Fecht Detwiler currently has one office in Massachusetts and three offices in Connecticut. The Firm’s business activities include institutional and retail securities brokerage, trading in equity securities as a market maker, focused equity research, participation in the underwriting of corporate equity securities (including primary public offerings and underwritten secondary offerings), private placements, merger and acquisition activities and corporate advisory services. Fecht Detwiler’s principal emphasis for research, market-making activities and investment banking is on companies which are usually, but not always, traded in the NASDAQ market system. Institutional sales are conducted from the Boston office and retail sales are conducted through registered private client representatives in all four offices. Investment banking and trading activities are conducted from the Boston office.

Research Services

Fecht Detwiler’s research activities are focused on industry channels of distribution and on individual companies. The Firm conducts research on companies which may not be covered by research analysts at other firms. Fecht Detwiler believes these companies may have potential for significant growth. Research services are very important to the revenue-generating activities of the Firm, including institutional and retail brokerage, market making, and investment banking activities.

Institutional Brokerage

Fecht Detwiler executes securities transactions for institutional investors such as investment partnerships, mutual funds, insurance companies, and pension and profit sharing plans. Institutional investors normally purchase and sell securities in large quantities which require special marketing and trading expertise. Fecht Detwiler believes that a significant portion of its institutional brokerage commissions are received as a consequence of providing such institutions with research it develops from industry channels as well as research on specific equity issuers. The Firm provides its institutional brokerage services to a nationwide client base.

Transactions for institutional investors are executed with the Firm acting as agent or as principal with commissions negotiated with its institutional customers.

Market-Making and Principal Transactions

Fechtor Detwiler actively engages in trading as principal in various phases of the over-the-counter securities business. To facilitate trading by its customers, the Firm buys, sells and maintains inventories of certain common stocks in order to “make markets” in those securities. Revenues from principal transactions, which include trading profits or losses and sales credits, depend upon the general trend of prices, the level of activity in the securities markets, the skill of employees engaged in market-making and the size of the inventories. Trading as principal requires the commitment of capital and creates an opportunity for profit and the risk of loss due to market fluctuations.

In executing customers’ orders to buy or sell NASDAQ stocks in which the Firm makes a market, a security may be sold to, or purchased from, its customers at a competitive price, plus or minus a mark-up or mark-down. Alternatively, Fechter Detwiler may act as an agent and execute a customer’s purchase or sell order with another broker-dealer which acts as a market-maker, at the best inter-dealer market price, in which case a commission is charged.

Investment Banking

Fechtor Detwiler participates in both public offerings and private corporate placements as a manager or as a member of an underwriting syndicate or selling group. Corporate offerings principally involve common stock or other equity securities issued by corporations. Fechter Detwiler markets private offerings of corporate securities and provides valuation and financial advisory services for mergers, acquisitions, stock option issuances and other corporate purposes.

Underwriting activities, together with its selling group participation, are an important source of securities for distribution to its clients because of the availability of a large amount of securities for distribution and fees earned in connection with such offerings.

Participation in an underwriting syndicate or selling group involves both economic and regulatory risks. An underwriting participant may incur losses if it is unable to resell the securities it is committed to purchase, or if it is forced to liquidate its commitment at less than the agreed purchase price. In addition, under federal securities laws, other statutes and court decisions, an underwriting participant or selling group member may be subject to substantial liability for material misstatements or omissions in prospectuses and other communications with respect to such offerings.

Merchant Banking

The Company has recently engaged in merchant banking activities to include equity investments in private placements as well as direct equity investments. Investment opportunities considered attractive will include those perceived to be strategic for the Firm or where a sound investment opportunity exists.

Retail Brokerage

Revenues from retail brokerage activities are generated primarily through customer purchases and sales of equity securities. The Firm also executes orders for bonds, and the purchase and sale of mutual funds and other securities. Commissions are charged on both listed and over-the-counter agency transactions. When Fechter Detwiler executes over-the-counter transactions as a dealer, it charges a markup or markdown in lieu of commissions.

Retail commissions are charged in accordance with a commission schedule comparable to full-service retail brokerage firms. Commission discounts may be granted on certain transactions. The Firm does not attempt to compete with the commission rates charged by brokerage firms generally referred to as “discount brokers.” The

largest portion of Fechter Detwiler's retail clients are individuals who reside in the northeastern United States. The Firm is not dependent on any single client for its revenues.

Fechter Detwiler provides margin accounts which allow the customer to pay less than the full cost of securities purchased, with the balance provided by the Firm as a loan secured by the securities purchased. Margin loans are subject to the requirements of the Board of Governors of the Federal Reserve System and Fechter Detwiler's internal policies. In permitting customers to purchase securities on margin, Fechter Detwiler bears the risk of a market decline which could reduce the value of its collateral below customers' indebtedness.

In addition to securities brokerage and margin lending services, the Firm also provides its retail clients specialized financial services including equity research, individual retirement accounts and money market products.

Operations

Fechter Detwiler clears its own securities transactions utilizing a brokerage accounting system provided by a third-party service bureau. Customer transactions are recorded daily on a settlement date basis; generally three business days after the trade date for equity and debt transactions and one business day after the trade date for option transactions. The Firm's compliance department monitors customer transactions to ensure they are conducted in accordance with applicable laws, rules, regulations and internal policies. Periodic reviews of internal controls are conducted and administrative and operations personnel meet frequently to review operational conditions.

James Mitchell & Co.

James Mitchell & Co. and its subsidiaries, JMC Financial Corporation and JMC Insurance Services Corporation (collectively, "JMC") were founded in 1983 and are located in San Diego, California. Historically, JMC provides annuity, insurance and mutual fund sales and support services for financial institutions and the related servicing of tax-advantaged annuities, insurance products and mutual funds.

JMC earns fees based on the accumulated asset value of the accounts being serviced. JMC also solicits existing customers to replace older products having lower rates of return with sales of new products having more competitive returns.

Competition

The Company is engaged in the highly competitive securities brokerage and financial services businesses competing with regional securities brokerage firms, large national and international securities firms, and discount brokerage firms. To an increasing degree, the Company also competes for various segments of the financial service business or with other institutions such as commercial banks, mutual fund companies and investment advisory and financial planning firms. Legal and regulatory changes may allow commercial banks and their holding companies to compete more directly in the brokerage and investment banking businesses which will increase competition for all brokerage firms. In addition to the competition for retail investment business, there is substantial competition among firms in the securities industry to attract and retain experienced and productive client representatives.

Large competitors are able to advertise their products and services on a national or regional basis and have a far greater number and variety of distribution outlets for their products. Discount brokerage firms market their services through aggressive pricing and promotional efforts. Most competitors have much more extensive investment banking activities and, therefore, possess a securities distribution advantage.

Recent rapid advancements in computing and communications technology are substantially changing the means by which financial services are delivered. These changes are providing consumers with more direct access to a wide variety of financial and investment services, including market information and on-line trading and account information. Advancements in technology also create demand for more sophisticated levels of client services which may entail considerable cost without an offsetting source of revenue. Although the Company is committed to utilizing technological advancements to provide a high level of client service, many of its competitors have far greater technological resources at their disposal.

Regulation

The securities industry in the United States is subject to extensive regulation under Federal and state laws. The Securities and Exchange Commission ("SEC") is the Federal agency charged with administration of the Federal securities laws. Much of the regulation of broker-dealers, however, has been delegated to self-regulatory organizations, principally the NASD, national and regional securities exchanges. These self-regulatory organizations adopt rules (which are subject to approval by the SEC) which govern the industry.

Additional legislation, changes in rules promulgated by the SEC and by self-regulatory organizations, or changes in interpretations or enforcement of existing laws and rules, often affect directly the method of operation and profitability of broker-dealers. The SEC and the self-regulatory organizations may conduct administrative proceedings which can result in censure, fines, suspension or expulsion of a broker-dealer, its officers and employees. The principal purpose of regulation and discipline of broker-dealers is the protection of clients and the securities markets rather than the protection of creditors or stockholders of broker-dealers.

One of the most important regulations with which the broker-dealer subsidiaries of the Company must continually comply is SEC Rule 15c3-1, which requires all broker-dealers to maintain a minimum amount of net capital. These rules, under the alternative method, prohibit a broker or dealer from engaging in any securities transactions at a time when its net capital is less than 2% of aggregate debit items arising from customer transactions. In addition, restrictions may be imposed on the operations of a broker or dealer if its net capital is less than 5% of aggregate debit items. At December 31, 2000, the net capital of Fechtor Detwiler, JMC Financial Corporation and JMC Investment Services exceeded their respective minimum reserve requirements of \$250,000, \$50,000 and \$5,000 by \$3.8 million, \$35,000 and \$109,000, respectively.

The laws, rules and regulations of the various federal, state and other regulatory bodies to which the businesses of the Company are subject to are constantly changing. While the management believes that it is currently in compliance in all material respects with the laws, rules and regulations applicable to its businesses, it cannot predict what effect any changes of such laws or regulations might have.

Employees

At December 31, 2000, the Company had 68 employees; none of whom are covered by, or parties to, a collective bargaining agreement. The success of Fechtor, Detwiler, Mitchell & Co. is highly dependent upon its continuing ability to hire, train and retain qualified staff. Management considers relations with its employees to be good.

Item 2. Properties

Both the Company and Fechtor Detwiler use office space at 225 Franklin Street, Boston, Massachusetts. The lease for this space, which contains approximately 15,000 square feet, expires in 2007. The three branch operations for Fechtor Detwiler located in Connecticut are also leased. James Mitchell & Co. uses office space at 9710 Scranton Road, Suite 100, San Diego, California. The lease for this space, which contains approximately 2,500 square feet, expires in 2002.

Management believes its existing facilities are adequate for near-term needs.

Item 3. Legal Proceedings

The Company from time to time is subject to legal proceedings and claims which arise in the ordinary course of its business. Management believes that resolution of these matters will not have a material adverse effect on the Company's results of operations or financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2000.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The common stock of Fechter, Detwiler, Mitchell & Co. (the "Company") is principally traded in the NASDAQ SmallCap Market ("SCM") under the symbol FEDM. At January 8, 2001, there were approximately 264 shareholders of record with approximately 575 beneficial owners. Nine broker-dealers are presently market makers in the Company's common stock on the NASDAQ SCM. The Company is also listed on the Pacific Exchange ("PCX") under the symbol FDM, but the trading volume in the Company's common stock on the PCX is not material.

The Company has been advised by NASDAQ that its common stock may no longer meet the requirements for continued listing on the NASDAQ SmallCap Market and that its common stock may be removed from trading in the SmallCap Market. The Company had a hearing with NASDAQ on December 19, 2000 and was granted an extension of time in which to comply with the minimum bid price requirement. On or before March 28, 2001, the Company must demonstrate a closing bid price of at least \$1.00 per share; thereafter, the Company's closing bid price must meet or exceed \$1.00 per share for a minimum of ten consecutive trading days.

The Company plans to seek approval at its March 26, 2001 Annual Meeting of Stockholders to perform a one-for-four reverse-stock split. The Company believes such action will increase the minimum bid price in order to comply with the NASDAQ requirements. There is, however, no guarantee that this action will ensure the continued listing of the Company. If delisted, it is expected the Company's common stock will be traded on the Over-the-Counter Bulletin Board. On December 29, 2000, the Company's common stock closed at \$0.625 per share.

The following table reflects the high and low sales prices of the Company's common stock in the NASDAQ market:

	Sales Price	
	High	Low
2000		
First Quarter	\$1.875	\$1.000
Second Quarter	\$1.594	\$0.688
Third Quarter	\$1.313	\$0.719
Fourth Quarter	\$1.156	\$0.563
1999		
First Quarter	\$1.375	\$0.750
Second Quarter	\$2.063	\$0.844
Third Quarter	\$2.000	\$0.813
Fourth Quarter	\$1.625	\$0.438

No dividends were paid by the Company during 2000. Dividends, if any, will be determined by the Board of Directors based upon profitability, cash availability and other considerations as deemed appropriate.

Item 6. Selected Financial Data

Years Ended December 31:	2000	1999	1998	1997	1996
Total revenues	\$ 20,405,980	\$ 15,154,363	\$ 12,079,027	\$ 12,118,371	\$ 9,820,236
Total expenses before settlement and merger costs	19,268,890	14,254,240	12,045,254	12,092,641	9,782,427
Settlement and merger costs	-	2,136,931	-	-	-
Income (loss) before income taxes	1,137,090	(1,236,808)	33,773	25,730	37,809
Income tax (expense) benefit	(509,335)	387,582	(25,792)	(21,183)	(17,150)
Net income (loss)	<u>\$ 627,755</u>	<u>\$ (849,226)</u>	<u>\$ 7,981</u>	<u>\$ 4,547</u>	<u>\$ 20,659</u>
Net income (loss) per share:					
Basic	<u>\$ 0.05</u>	<u>\$ (0.10)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Diluted	<u>\$ 0.05</u>	<u>\$ (0.10)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Weighted average shares outstanding:					
Basic	<u>11,594,893</u>	<u>8,696,355</u>	<u>6,600,000</u>	<u>6,600,000</u>	<u>6,600,000</u>
Diluted	<u>11,694,318</u>	<u>8,696,355</u>	<u>6,600,000</u>	<u>6,600,000</u>	<u>6,600,000</u>
At December 31:	2000	1999	1998	1997	1996
Total assets	\$ 13,342,796	\$ 17,842,355	\$ 10,546,820	\$ 11,371,688	\$ 15,151,057
Total liabilities	6,784,334	9,497,442	8,382,053	9,214,902	12,998,820
Total stockholders' equity	6,558,462	8,344,913	2,164,767	2,156,786	2,152,237

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

On August 30, 1999, effective September 1, 1999 for accounting purposes, Fechter, Detwiler & Co., Inc. ("Fechtor Detwiler") sold its operations to JMC Group, Inc. ("JMCG") and JMCG became the surviving corporation (the "Merger"). Subsequently, JMCG was renamed Fechter, Detwiler, Mitchell & Co. (the "Company") and its NASDAQ trading symbol was changed to FEDM. The former shareholders of Fechter Detwiler received 6,600,000 common shares of JMCG representing 52% of the then outstanding common shares at the Merger date.

The Merger was accounted as a purchase of JMCG by Fechter Detwiler in a reverse acquisition. The assets and liabilities of JMCG at the Merger date were adjusted to their estimated fair values based upon purchase price allocations. The assets and liabilities of Fechter Detwiler are reported at their historical cost basis. In a reverse acquisition, the accounting treatment differs from the legal form of the transaction, as the continuing legal parent company (JMCG) is not the acquiror and the historical financial statements of JMCG become those of Fechter Detwiler; the accounting acquiror. Consequently, the presentation of the Company's consolidated financial statements prior to September 1, 1999 reflects the financial statements of Fechter Detwiler.

Fechtor, Detwiler, Mitchell & Co. is the holding company for its two primary operating subsidiaries; Fechter, Detwiler & Co., Inc., an investment banking and brokerage firm headquartered in Boston, Massachusetts and James Mitchell & Co., a financial services company located in San Diego, California.

On January 25, 2001, the Company announced its acquisition of K. & S., Inc., a specialist firm with operations at the Boston Stock Exchange effective January 1, 2001. K. & S., Inc. is one of the largest independently owned specialist operations on the Boston Stock Exchange and was formed 28 years ago. Kenneth M. King, President of K. & S., Inc., will continue to serve as President of the firm.

Additionally, in December 2000, the Company formed Detwiler, Mitchell & Co. (UK) Limited ("DMC UK") headquartered in London, England. DMC UK has not started operations as of yet, however, once regulatory approvals are received, it will conduct institutional sales and investment banking throughout the UK, Europe and Canada. Employees of DMC UK have significant international investment experience and specialize in providing research on fuel cell technology companies.

Statement of Operations for 2000 Compared to 1999

Net income of \$628,000 or \$0.05 per share – basic and diluted, on 11.7 million diluted weighted average shares outstanding, for the year ended December 31, 2000 compared to net loss of \$849,000 or \$0.10 per share – basic and diluted, on 8.7 million diluted weighted average shares outstanding, for the year ended December 31, 1999. Net income includes a write-down of \$1,000,000 from the impairment of a non-marketable investment for the year ended December 31, 2000. The net loss for 1999 includes settlement and merger costs of \$2,137,000 and non-cash compensation expense of \$850,000.

Income before income taxes, before the write-down of the non-marketable investment and settlement and merger costs and non-cash compensation expense for the year ended December 31, 2000 was \$2,137,000, an increase of \$387,000 or 22%, compared to \$1,750,000 for 1999.

Revenues for the year ended December 31, 2000 were \$20,406,000 an increase of \$5,252,000 or 35%, compared to \$15,154,000 for 1999. The increase primarily results from increased commissions and principal transaction revenues from broker-dealer operations for 2000 compared to 1999. Additionally, twelve months of revenues of James Mitchell & Co. are included in 2000 compared to four months of revenues reported for 1999 reflecting the September 1, 1999 Merger date.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Compensation and benefits expense of \$12,239,000 for the year ended December 31, 2000 increased \$2,696,000 compared to last year due to variable commissions paid on higher transaction volume at Fechtor Detwiler and a full year of compensation and benefit expenses of James Mitchell & Co. Compensation and benefits expense for 1999 includes a non-recurring, non-cash compensation expense of \$850,000 related to the Merger.

General and administrative expense of \$2,388,000 for the year ended December 31, 2000 increased \$747,000 compared to last year due to a full year of expenses of James Mitchell & Co. recorded in 2000.

Floor brokerage, clearing and commissions of \$2,282,000 for the year ended December 31, 2000 increased \$766,000 compared to last year due primarily to increased transaction-based commission revenues required to be paid to other broker-dealers.

Interest expense of \$225,000 for the year ended December 31, 2000 decreased \$165,000 compared to the last year due to lower average notes payable balances from reduced customer margin accounts.

Income tax expense of \$509,000 for 2000 results from tax expense associated with income before income taxes. Income tax benefit of \$388,000 is for 1999 results from tax benefits associated with the loss before income taxes after consideration on non-deductible and Merger related costs.

Statement of Operations for 1999 Compared to 1998

For the year ended December 31, 1999, Fechtor, Detwiler, Mitchell & Co. reported a net loss of \$849,000, or \$0.10 per share—basic and diluted, compared to net income of \$8,000 for the year ended December 31, 1998. Results for 1999 include settlement and merger costs of \$2,137,000 and Merger related non-cash compensation expense of \$850,000.

Pro forma net income, excluding settlement and merger costs and non-cash compensation expense, was \$1,015,000, or \$0.08 per share—diluted, for 1999 compared to \$588,000, or \$0.05 per share—diluted, for 1998, assuming JMCG was acquired effective January 1, 1998. Revenues on the same pro forma basis for 1999 were \$15,892,000 compared to \$14,102,000 for 1998.

Revenues of \$15,154,000 for 1999 increased \$3,075,000 from revenues of \$12,079,000 for 1998 primarily reflecting increased commission and principal transaction revenues and revenues from JMCG partially offset by lower investment banking revenues.

Compensation and benefits of \$9,543,000 for 1999 increased \$2,044,000 compared to 1998 due to higher variable compensation from the increase in revenues for 1999, \$850,000 of merger related non-cash compensation expense and to a lesser degree compensation and benefits expense of JMCG for the four-month period ended December 1999.

General and administrative expenses of \$1,641,000 for 1999 increased \$209,000 compared to 1998 from higher professional fees and expenses of JMCG for the four month period ended December 31, 1999. Occupancy, communications and systems expense of \$1,154,000 for 1999 decreased \$195,000 from 1998 due to reduced rent expense for branch offices.

Interest expense of \$390,000 for 1999 increased \$104,000 from 1998 due to higher average notes payable balances and interest rates associated with customer margin accounts.

Settlement and merger costs of \$2,137,000 for 1999 include costs associated with the resolution of several pending claims, professional fees and other costs incurred to complete the Merger.

Income tax benefit of \$388,000 for 1999 results from tax benefits associated with the loss before income taxes after consideration of non-deductible Merger related costs.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Capital Resources and Liquidity

The Company finances its activities primarily from cash generated by operations and borrowings from its lines of credit. At December 31, 2000, the Company had assets of \$13.3 million which primarily consisted of cash or assets readily convertible into cash, principally receivables due from customers, securities borrowed, receivables from brokers, dealers and clearing organizations and deposits with clearing organizations. Cash and cash equivalents at December 31, 2000 of \$2,737,000 increased \$1,465,000 from December 31, 1999 primarily the result of operating cash flow.

Fechtor Detwiler has a revolving line of credit facilities with two banks. The maximum borrowings of the combined facilities is \$15,000,000 and each facility is due upon demand. There were no borrowings outstanding at December 31, 2000.

During 2000, the Company purchased 2,412,000 common shares at market value from Richard Fechter, former Chief Executive Officer of the Company, at a total cost of \$2,412,000. The purchase and retirement of such common shares represented the entire equity interest of Mr. Fechter at that time. Additionally, during 2000, the Company purchased and retired 36,000 shares of its common stock from stockholders at a total cost of \$24,700.

During October 2000, the Company enhanced its clearing services and product offerings by contracting with National Financial Services Corporation, an affiliate of Fidelity Brokerage Services, Inc. Fechter Detwiler will begin to offer a broader selection of investment products and financial planning services to independent brokers in 2001.

Additionally, in December 2000, the Company formed Detwiler, Mitchell & Co. (UK) Limited ("DMC UK") headquartered in London, England. Once regulatory approvals are obtained, DMC UK will conduct institutional sales and investment banking throughout the UK, Europe and Canada. Employees of DMC UK have significant international investment experience and specialize in providing research on fuel cell technology companies.

On January 25, 2001, the Company announced its acquisition of K. & S., Inc., a specialist firm with operations at the Boston Stock Exchange effective January 1, 2001. K. & S., Inc. is one of the largest independently owned specialist operations on the Boston Stock Exchange and was formed 28 years ago. The Company financed the acquisition with \$1.2 million in cash (net of cash acquired), 100,000 in shares of common stock valued at \$62,500 and a note payable of \$300,000. The note payable earns interest at the prime rate and is due in two equal installments on each of January 1, 2002 and 2003.

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act

Any statements in this report that are not historical facts are intended to fall within the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. These statements may be identified by such forward-looking terminology as "expect", "look", "believe", "anticipate", "may", "will" or similar statements or variations of such terms. Any forward-looking statements should be considered in light of the risks and uncertainties associated with Fechter, Detwiler, Mitchell & Co. and its businesses, economic and market conditions prevailing from time to time, and the application and interpretation of Federal and state tax laws and regulations, all of which are subject to material changes and which may cause actual results to vary materially from what had been anticipated. Certain factors that affect Fechter, Detwiler, Mitchell & Co. and include conditions affecting revenues, reliance on key personnel, competition, and regulatory and legal matters.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act (Continued)

Conditions Affecting Revenues. Revenues, cash flows and earnings of the Company may be adversely affected by volatility in the financial markets and fluctuating economic and political conditions which could produce lower commissions, and lower trading or investment banking revenues, or by a decline in client account balances resulting from changing industry or economic conditions or the performance of the capital markets.

Reliance on Key Personnel. The departure of key personnel, such as skilled institutional and retail brokers, traders, research analysts or employees responsible for significant client relationships, could have a material adverse effect on the results of operations of the Company.

Competition. The Company may experience losses in client account balances due to the highly competitive nature of its business, the performance of client accounts compared to the performance of the market generally, the abilities and reputations of the Company and its ability to attract new client accounts and retain existing client relationships and changes in the brokerage business such as the growth of internet security trading and information availability.

Regulatory and Legal Factors. The Company's business may be affected by developments or changes in the regulation, legal proceedings and claims arising from the conduct of its businesses.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk.

Not Applicable.

Item 8. Financial Statements and Supplementary Data**FECHTOR, DETWILER, MITCHELL & CO.****CONSOLIDATED STATEMENT OF FINANCIAL CONDITION****At December 31**

	2000	1999
ASSETS		
Cash and cash equivalents	\$ 2,737,434	\$ 1,272,826
Deposits with clearing organizations	415,194	349,459
Receivables from brokers, dealers and clearing organizations	535,836	1,019,614
Due from customers	3,598,699	11,958,104
Securities borrowed	3,279,900	71,200
Marketable investments, at fair value	15,681	3,372
Non-marketable investments, at fair value	510,000	1,000,000
Fixed assets, net	437,850	461,467
Intangible assets, net	123,385	129,385
Other	1,688,817	1,576,928
Total Assets	<u>\$ 13,342,796</u>	<u>\$ 17,842,355</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Notes payable	\$ -	\$ 3,000,000
Payable to brokers, dealers and clearing organizations	117,811	10,695
Due to customers	4,035,739	4,208,274
Salary and commissions payable	1,329,837	853,655
Accounts payable and accrued liabilities	1,300,947	1,424,818
Total Liabilities	<u>6,784,334</u>	<u>9,497,442</u>
Contingencies (note 9)		
Stockholders' Equity:		
Preferred stock, no par value; 5,000,000 shares authorized, none issued	-	-
Common stock, \$0.01 par value; 20,000,000 shares authorized; 10,357,251 and 12,781,251 shares outstanding at December 31, 2000 and 1999, respectively	103,573	129,165
Paid-in-capital	4,577,593	7,103,286
Retained earnings	1,877,296	1,249,541
Treasury stock, at cost	-	(137,079)
Total Stockholders' Equity	<u>6,558,462</u>	<u>8,344,913</u>
Total Liabilities and Stockholders' Equity	<u>\$ 13,342,796</u>	<u>\$ 17,842,355</u>

See Accompanying Notes to Consolidated Financial Statements.

FECHTOR, DETWILER, MITCHELL & CO.
CONSOLIDATED STATEMENT OF INCOME

For the Years Ended December 31

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues:			
Commissions	\$ 11,995,968	\$ 8,078,222	\$ 5,689,697
Principal transactions	5,835,285	5,501,075	4,531,095
Investment banking	880,977	246,497	918,999
Realized and unrealized gains on investments	316,529	-	-
Interest	910,652	930,701	579,343
Other	466,569	397,868	359,893
Total revenues	<u>20,405,980</u>	<u>15,154,363</u>	<u>12,079,027</u>
Expenses:			
Compensation and benefits	12,238,521	9,542,983	7,499,403
General and administrative	2,388,433	1,641,036	1,431,920
Execution costs	2,282,339	1,516,604	1,479,173
Occupancy, communications and systems	1,128,162	1,153,904	1,348,541
Interest	225,435	390,088	286,217
Amortization of intangibles	6,000	9,625	-
Impairment of non-marketable investment	1,000,000	-	-
Settlement and merger	-	2,136,931	-
Total expenses	<u>19,268,890</u>	<u>16,391,171</u>	<u>12,045,254</u>
Income (loss) before income taxes	1,137,090	(1,236,808)	33,773
Income tax (expense) benefit	<u>(509,335)</u>	<u>387,582</u>	<u>(25,792)</u>
Net income (loss)	<u>\$ 627,755</u>	<u>\$ (849,226)</u>	<u>\$ 7,981</u>
Net income (loss) per share—basic and diluted	<u>\$ 0.05</u>	<u>\$ (0.10)</u>	<u>\$ -</u>
Weighted average shares outstanding:			
Basic	<u>11,594,893</u>	<u>8,696,355</u>	<u>6,600,000</u>
Diluted	<u>11,694,318</u>	<u>8,696,355</u>	<u>6,600,000</u>

See Accompanying Notes to Consolidated Financial Statements.

FECHTOR, DETWILER, MITCHELL & CO.

**CONSOLIDATED STATEMENT OF CHANGES IN
STOCKHOLDERS' EQUITY**

For the Years Ended December 31

	<u>Common Stock</u>		<u>Paid-in</u>	<u>Retained</u>	<u>Treasury</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Stock</u>	<u>Total</u>
December 31, 1997	6,600,000	\$ 66,000	\$ -	\$ 2,090,786	\$ -	\$ 2,156,786
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,981</u>	<u>-</u>	<u>7,981</u>
December 31, 1998	6,600,000	66,000	-	2,098,767	-	2,164,767
Common stock from acquisition	6,166,451	61,665	6,104,786	-	-	6,166,451
Issuance of common stock - other	150,000	1,500	148,500	-	-	150,000
Capital contribution	-	-	850,000	-	-	850,000
Purchase of treasury stock	(135,200)	-	-	-	(137,079)	(137,079)
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(849,226)</u>	<u>-</u>	<u>(849,226)</u>
December 31, 1999	12,781,251	129,165	7,103,286	1,249,541	(137,079)	8,344,913
Issuance of common stock - stock option exercise	24,000	240	22,260	-	-	22,500
Retirement of treasury stock	-	(1,352)	(135,727)	-	137,079	-
Purchase and retirement of treasury stock	(2,448,000)	(24,480)	(2,412,226)	-	-	(2,436,706)
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>627,755</u>	<u>-</u>	<u>627,755</u>
December 31, 2000	<u>10,357,251</u>	<u>\$ 103,573</u>	<u>\$ 4,577,593</u>	<u>\$ 1,877,296</u>	<u>\$ -</u>	<u>\$ 6,558,462</u>

See Accompanying Notes to Consolidated Financial Statements.

FECHTOR, DETWILER, MITCHELL & CO.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ended December 31

	2000	1999	1998
Cash Flows from Operating Activities:			
Net income (loss)	\$ 627,755	\$ (849,226)	\$ 7,981
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	229,520	116,676	124,491
Realized and unrealized gain on investments	(316,529)	-	-
Impairment of non-marketable investment	1,000,000	-	-
Amortization of intangibles	6,000	9,625	-
Non-cash compensation expense	-	850,000	-
Changes in:			
Deposits with clearing organizations	(65,735)	(48,372)	(6,637)
Receivables from brokers, dealers and clearing organizations	483,778	(936,375)	8,826
Due from customers	8,359,405	(3,878,293)	921,486
Securities borrowed	(3,208,700)	744,450	(234,820)
Other assets	(111,889)	(370,962)	127,595
Due to customers	(172,535)	906,112	1,950,414
Accounts payable and accrued liabilities and other	459,427	780,654	394,775
Net cash provided by (used in) operating activities	<u>7,290,497</u>	<u>(2,675,711)</u>	<u>3,294,111</u>
Cash Flows from Investing Activities:			
Purchase of investment securities	(427,765)	-	-
Capital expenditures	(205,903)	(301,164)	(94,941)
Proceeds from sale of investment securities	221,985	-	-
Cash acquired from merger	-	4,613,147	-
Net cash provided by (used in) investing activities	<u>(411,683)</u>	<u>4,311,983</u>	<u>(94,941)</u>
Cash Flows from Financing Activities:			
Decrease in notes payable	(3,000,000)	(800,000)	(3,200,000)
Proceeds from exercise of common stock options	22,500	-	-
Purchase and retirement of treasury stock	(2,436,706)	(137,079)	-
Net cash used in financing activities	<u>(5,414,206)</u>	<u>(937,079)</u>	<u>(3,200,000)</u>
Net increase (decrease) in cash	1,464,608	699,193	(830)
Cash and cash equivalents at beginning of year	<u>1,272,826</u>	<u>573,633</u>	<u>574,463</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,737,434</u></u>	<u><u>\$ 1,272,826</u></u>	<u><u>\$ 573,633</u></u>
Cash Payments:			
Interest expense	<u>\$ 216,231</u>	<u>\$ 384,522</u>	<u>\$ 286,215</u>
Income taxes	<u>\$ 314,000</u>	<u>\$ 21,019</u>	<u>\$ 35,620</u>
Supplemental Disclosure of Non-Cash Transactions:			
Increase in intangible assets	<u>\$ -</u>	<u>\$ 139,010</u>	<u>\$ -</u>
Increase in common stock	<u>\$ -</u>	<u>\$ 63,165</u>	<u>\$ -</u>
Increase in paid-in-capital	<u>\$ -</u>	<u>\$ 7,103,286</u>	<u>\$ -</u>

See Accompanying Notes to Consolidated Financial Statements.

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization

On August 30, 1999, effective September 1, 1999 for accounting purposes, Fechter, Detwiler & Co., Inc. (“Fechtor Detwiler”) sold its operations to JMC Group, Inc. (“JMCG”) and JMCG became the surviving corporation (the “Merger”). Subsequently, JMCG was renamed Fechter, Detwiler, Mitchell & Co. (the “Company”) and its NASDAQ trading symbol was changed to FEDM. In exchange for their ownership interest in Fechter Detwiler, the former shareholders of Fechter Detwiler received 6,600,000 common shares of JMCG representing 52% of the then outstanding common shares at the Merger date.

The Merger was accounted as a purchase of JMCG by Fechter Detwiler in a reverse acquisition. The assets and liabilities of JMCG at the Merger date were adjusted to their estimated fair values based upon purchase price allocations. The assets and liabilities of Fechter Detwiler are reported at their historical cost basis. In a reverse acquisition, the accounting treatment differs from the legal form of the transaction, as the legal acquiror (JMCG) is not the accounting acquiror and the historical financial statements of JMCG become those of Fechter Detwiler; the accounting acquiror. Consequently, the presentation of the Company’s consolidated financial statements prior to September 1, 1999 reflects the financial statements of Fechter Detwiler.

Fechtor, Detwiler, Mitchell & Co. is the holding company for its two primary operating subsidiaries; Fechter, Detwiler & Co., Inc., an investment banking and brokerage firm headquartered in Boston, Massachusetts and James Mitchell & Co., a financial services company located in San Diego, California.

In December 2000, the Company formed Detwiler, Mitchell & Co. (UK) Limited (“DMC UK”) headquartered in London, England. Once regulatory approvals are received, it will conduct institutional sales and investment banking throughout the UK, Europe and Canada. Employees of DMC UK have significant international investment experience and specialize in providing research on fuel cell technology companies.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation—The consolidated financial statements of Fechter, Detwiler, Mitchell & Co. have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and generally accepted accounting principles. In the opinion of management, all adjustments, consisting only of normal recurring accruals, have been made to present fairly the financial statements of the Company.

Principles of Consolidation — The consolidated financial statements of Fechter, Detwiler, Mitchell & Co. include the accounts of its wholly owned subsidiaries. All material intercompany transactions have been eliminated in consolidation.

Marketable and Non-Marketable Investments — The Company may receive, as additional consideration for the performance of investment banking services, warrants to acquire an equity interest in firms or may lend to or make direct equity investments in companies through its merchant banking activities. Marketable and non-marketable investments are recorded at fair value and result in the recognition of future unrealized gains or losses due to changes in their fair value. Realized gains and losses are recognized when the investment is sold.

Fair Value of Other Financial Instruments—The carrying amount of receivables, payables, and securities owned and securities sold, not yet purchased are reported in the statement of financial condition at fair value.

Securities Transactions—Proprietary securities transactions in regular way trades are recorded on the settlement date (normally the third business day following the trade date) which is not materially different from trade date. Securities transactions for customers are reported on the settlement date. Commission revenues and expenses are recorded on the trade date.

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 2. Summary of Significant Accounting Policies (continued)

Fixed Assets—Fixed assets are stated at cost with depreciation and amortization expense recorded using the straight line method over three to seven years.

Investment Banking — Investment banking revenues primarily include fees arising from securities offerings in which the Company acts as an underwriter or agent.

Principal Transactions — Principal transactions revenues primarily represent amounts earned from executing transactions on behalf of customers in securities for which the Company acts as a market maker.

Income Taxes—Income tax liabilities or assets are recorded through charges or credits to the current tax provision for the estimated taxes payable or refundable for the current year. Deferred tax assets and liabilities are recorded for future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates. A deferred tax valuation allowance is established if it is more likely than not that all or a portion of the deferred tax assets will not be realized.

Cash Equivalents—Cash equivalents include instruments with an original maturity of three months or less.

Interest—Interest revenue primarily represents earnings on client margin accounts.

Net Capital Requirements—Certain subsidiaries of the Company are subject to broker-dealer net capital requirements. At December 31, 2000, each broker-dealer subsidiary was in compliance with its net capital requirement.

Segment Information — The Company uses the “management approach” in disclosing segment information. The Company conducts its business predominantly within one industry segment, retail and institutional brokerage, which includes the Company’s retail and institutional brokerage activities and investment banking services, for all periods presented. Management assesses performance and measures the results on a single segment basis. The single segment generated revenue predominantly from the United States for all periods presented.

Use of Estimates—The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the accompanying financial statements. Actual results could vary from the estimates that were used.

Note 3. Net Capital Requirement

The Company’s primary broker dealer subsidiary, Fechter Detwiler, is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. Fechter Detwiler computes its net capital under the alternative method permitted by the Rule which requires that minimum net capital be the greater of \$250,000 or 2% of the aggregate debit items arising from customer transactions.

At December 31, 2000, Fechter Detwiler’s net capital of \$4,034,755 was \$3,784,755 in excess of the minimum net capital requirement of \$250,000. At December 31, 2000, Fechter Detwiler’s ratio of aggregate indebtedness to net capital was 1.6 to 1.

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 4. Earnings Per Share

Basic and diluted net income (loss) per share and weighted average shares outstanding at December 31 follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net income (loss)	<u>\$ 627,755</u>	<u>\$ (849,226)</u>	<u>\$ 7,981</u>
Net income (loss) per share:			
Basic	<u>\$ 0.05</u>	<u>\$ (0.10)</u>	<u>\$ —</u>
Diluted	<u>\$ 0.05</u>	<u>\$ (0.10)</u>	<u>\$ —</u>
Weighted average shares outstanding:			
Basic	11,594,893	8,696,355	6,600,000
Incremental shares assumed outstanding from exercise of stock options	<u>99,425</u>	<u>—</u>	<u>—</u>
Diluted	<u>11,694,318</u>	<u>8,696,355</u>	<u>6,600,000</u>

Note 5. Marketable and Non-Marketable Investments

Realized and unrealized gains of \$317,000 recorded for the year ended December 31, 2000 were comprised of a realized gain of \$114,000 and an unrealized gain of \$203,000. Unrealized gains are based on the underlying estimated fair value of the respective investments. No unrealized gains or losses were recorded on investment securities in 1999 or 1998.

The \$1,000,000 investment in OptiMark Technologies, Inc. was written off throughout 2000 representing a net charge to operations of \$600,000 after income tax benefit. The impairment loss was based upon information received throughout 2000 indicating impairment of such investment.

Note 6. Fixed Assets

Fixed assets consisted of the following at December 31:

	<u>2000</u>	<u>1999</u>
Furniture and equipment	\$ 642,203	\$ 1,712,080
Leasehold improvements	<u>29,507</u>	<u>29,247</u>
	671,710	1,741,327
Less accumulated depreciation and amortization	<u>(233,860)</u>	<u>(1,279,860)</u>
	<u>\$ 437,850</u>	<u>\$ 461,467</u>

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6. Fixed Assets (continued)

Office space is leased under noncancelable leases expiring through 2007. Future minimum annual lease payments at December 31, 2000 follow:

2001	\$ 553,000
2002	532,500
2003	555,000
2004	555,000
2005	555,000
Thereafter	1,398,500
	<u>\$ 4,149,000</u>

Rent expense was \$630,000, \$660,000 and \$801,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Note 7. Notes Payable

Fechtor Detwiler has two revolving line-of-credit facilities totaling \$15,000,000, which are due on demand. Interest on the first facility is based on the federal funds rate plus 1.10% and interest on the second facility is based on the federal funds rate plus 1.25%. Advances under these facilities were \$0 and \$3,000,000 at December 31, 2000 and 1999, respectively. Advances are collateralized by certain securities held in customer margin accounts.

Note 8. Income Taxes

Actual income tax expense (benefit) differs from the amount "expected" computed using the statutory Federal tax rate as follows:

	<u>2000</u>	<u>1999</u>
Expected income tax expense (benefit) using statutory rate of 34%	\$ 386,610	\$ (420,515)
Effects of:		
State income taxes, net of Federal tax benefit	71,296	(74,000)
Merger related expenses	-	95,000
Other	51,429	11,933
	<u>\$ 509,335</u>	<u>\$ (387,582)</u>

Income tax expense (benefit) for the years ended December 31 follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Current:			
Federal	\$ 520,231	\$ -	\$ 14,780
State	148,864	-	11,012
Deferred	(159,760)	(387,582)	-
	<u>\$ 509,335</u>	<u>\$ (387,582)</u>	<u>\$ 25,792</u>

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 8. Income Taxes (continued)

The difference between the provision for taxes on income and expected taxes on income at statutory rates results primarily from nondeductible expenses.

Components of the deferred tax asset at December 31 are as follows:

	<u>2000</u>	<u>1999</u>
Impairment on investment	\$ 400,000	\$ -
Compensation	340,000	404,000
Net operating loss	1,155	73,000
Fixed assets	14,950	38,000
Accrued liabilities	14,400	14,000
Unrealized gain on investments	(81,145)	-
	<u>\$ 689,360</u>	<u>\$ 529,000</u>

Note 9. Contingencies

The Company, from time to time, is subject to legal proceedings and claims which arise in the ordinary course of its business. Management believes that resolution of these matters will not have a material adverse effect on the Company's results of operations or financial condition.

Included in other assets at December 31, 2000 is a \$283,000 treasury security pledged as collateral for a letter of credit. The secured party does not have the right to sell or repledge the security.

Note 10. Stockholders' Equity

Stock Repurchases

On November 16, 1999, the Board of Directors approved a plan to repurchase up to one million shares of common stock of the Company in either open market or privately negotiated transactions. The timing and number of the share purchases are determined at management's discretion. At December 31, 2000, 171,200 shares had been repurchased since November 1999, at a cost of \$161,785 and such shares were retired.

On May 29, 2000 and August 17, 2000, the Company purchased, at market value, 1,400,000 and 1,012,000 common shares, respectively, from Richard Fechter, former Chief Executive Officer of the Company, at a total cost of \$2,412,000. The purchase and retirement of such common shares represented the entire equity interest of Mr. Fechter at that time. Purchases of Mr. Fechter's common shares were approved by the Board of Directors and were outside of the common stock repurchase plan discussed above.

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 10. Stockholders' Equity (continued)

Stock Options

In 2000, the Company adopted the 2000 Omnibus Equity Incentive Plan (the "2000 Plan") pursuant to which options to purchase an aggregate of 1,500,000 shares of common stock may be granted. The Company may grant options on its common stock, stock appreciation rights, "phantom" stock and restricted stock in an aggregate total initial amount of 1,500,000 shares. The total aggregate grant amount automatically increases on January 1 of each year by the lesser of 150,000 shares, 10% of outstanding common stock, or an amount determined by the Board of Directors. The Company had no grants of stock appreciation rights, "phantom" stock or restricted stock during 2000. In 1993, the Company adopted the 1993 Executive Stock Option Plan (the "Executive Plan") pursuant to which options to purchase an aggregate of 750,000 shares of common stock may be granted and the 1993 Employee Stock Option Plan (the "Employee Plan") pursuant to which options to purchase an aggregate of 750,000 shares of common stock may be granted (collectively, the "1993 Plans"). The 1993 Plans were canceled on May 22, 2000.

A summary of stock options outstanding at December 31 follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Options assumed in business combination at		
September 1, 1999	367,400	\$1.26
Granted	712,000	\$1.00
Forfeited	(27,000)	\$2.16
	<hr/>	
Outstanding at December 31, 1999	1,052,400	\$1.06
Granted	1,482,000	\$0.79
Forfeited	(22,000)	\$1.36
Exercised	(24,000)	\$0.94
	<hr/>	
Outstanding at December 31, 2000	<u>2,488,400</u>	<u>\$0.90</u>
Options exercisable at December 31, 2000	<u>540,571</u>	<u>\$1.09</u>
Weighted average fair value of options granted per share during 2000		<u>\$0.48</u>

Of the 1,482,000 options granted in 2000, options granted under the Employee Plan were 232,000 and 250,000 options were granted under the 2000 Plan. Additional options to purchase up to 1,000,000 shares of common stock, of which none were granted under any plan, were granted to individuals at DMC UK. These options vest over a period of five years and vesting may be accelerated if certain revenue targets are achieved. Options outstanding at December 31, 2000 are exercisable as follows: 540,571 currently exercisable, 439,173 in 2001, 452,163 in 2002, 206,493 in 2003, none in 2004 and 850,000 in 2005. At December 31, 2000, 1,250,000 options are available for future grants under the 2000 Plan (subject to the automatic increase noted above).

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 10. Stockholders' Equity (continued)

Stock Options (continued)

A summary of stock options outstanding and exercisable at December 31, 2000 follows:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life In Years	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$0.50-\$0.74	1,215,600	5.84	\$ 0.69	11,600	\$ 0.69
\$0.75-\$0.99	524,800	6.79	\$ 0.95	204,136	\$ 0.93
\$1.00-\$1.24	362,000	8.62	\$ 1.05	182,835	\$ 1.08
\$1.25-\$1.49	340,000	10.00	\$ 1.30	130,000	\$ 1.38
\$1.50-\$1.74	34,000	8.24	\$ 1.54	4,000	\$ 1.63
\$1.75-\$2.00	12,000	5.00	\$ 1.88	8,000	\$ 1.88
	<u>2,488,400</u>			<u>540,571</u>	

The Company has adopted the disclosure-only provisions for the accounting for stock-based compensation. Accordingly, no compensation cost has been recognized for its stock option plans in 2000. Had compensation for the Company's stock option plans been determined based on the fair market value at the grant date for awards in 2000 and 1999, net income (loss) and net income (loss) per share would be as follows:

	<u>2000</u>	<u>1999</u>
Net income (loss):		
As reported	\$ 627,755	\$ (849,000)
Pro forma	\$ 199,827	\$ (1,198,000)
Net income (loss) per share:		
As reported	\$ 0.05	\$ (0.10)
Pro forma	\$ 0.02	\$ (0.14)

The fair value of options granted during 2000 and 1999 are estimated to be approximately \$427,928 and \$582,000, respectively, on the date of grant using the Black-Scholes option-pricing model. Fair value was determined using the following weighted average assumptions:

	<u>2000</u>	<u>1999</u>
Dividend yield rate	0%	0%
Volatility rate	117%	71%
Risk free interest rate	5.69%	5.69%
Expected lives	4 years	3 years

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 10. Stockholders' Equity (continued)

Stock Options (continued)

The Company adopted a stock option plan of Fechter Detwiler in connection with the Merger. The plan provided for the issuance of 600,000 options, granted to certain employees by the founding partners of Fechter Detwiler, to acquire common shares of Fechter Detwiler prior to the Merger. In September 1999, the Company recorded compensation expense of \$850,000, and a \$340,000 tax benefit, reflecting the recognition of the value of the options granted between the exercise price of \$0.10 per share and the value of the common stock of the Company at the Merger date. At December 31, 1999, 600,000 common shares of the Company have been placed in a trust, by the former shareholders of Fechter Detwiler. The founding partners of Fechter Detwiler will reimburse the Company with an equivalent number of shares from the trust, based on the number of options exercised.

The Company adopted the former JMCG 401(k) retirement savings plan in the fourth quarter of 1999 covering substantially all employees. Matching Company contributions of up to 3%, subject to the maximum allowed annual employee contribution, are made in the form of Company stock purchased on the open market. Company contributions for 1999 were not material.

Shareholder Rights Plan

The Company has a Shareholder Rights Plan (the "Plan") which provides for a dividend of one common stock purchase right (one "Right") for each outstanding share of common stock of the Company. Each Right entitles the stockholder to purchase one share of common stock at \$30.00 per share, subject to adjustment. The Plan expires on February 21, 2010.

Generally, Rights may be exercised ten days after any person or group ("Acquirer") obtains beneficial ownership of 20% of the outstanding common shares, or ten days after an Acquirer announces a tender offer or other business combination, unless such tender offer or acquisition is made with the approval of the Board of Directors. The Board of Directors may effect the redemption of the Rights at any time before the Rights become exercisable at a nominal price payable in cash and/or shares of common stock.

Under certain circumstances, including the acquisition of 25% of the Company's common stock and the occurrence of certain "self-dealing transactions" by an Acquirer or certain other 20% holders, all Rights holders except the Acquirer may purchase the Company's common stock at approximately 50% of the prevailing market price. Similarly, if the Company is acquired in a merger after the acquisition of specified percentages of the voting power of the Company, and the Acquirer is the resultant corporation, the Rights holders with the exception of the Acquirer, may purchase the Acquirer's shares at a similar discount.

Note 11. Proposed Reverse Common Stock Split (Unaudited)

The Board of Directors has proposed a submission to the stockholders to amend the Certificate of Incorporation of the Company. The approval of the proposed amendment requires the affirmative vote of the holders of a majority of the outstanding shares of common stock. If adopted, the proposed amendment (the "Reverse Split") will convert each outstanding share of common stock into one fourth of a reconstituted common share (a "New Share"). Thus, if the amendment is adopted, there will be approximately 2,611,813 New Shares outstanding and the Company will have no other outstanding shares. The amendment will not change the number of authorized shares of common stock. The total number of shares of common stock issuable upon exercise of outstanding options to acquire such shares, and the exercise price of such options, will be adjusted proportionally to reflect the Reverse Split.

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 12. Concentrations of Credit Risk and Off-Balance Sheet Credit Risk

The Company borrows securities from other brokers and provides cash to the other brokers representing approximately 105% of the market value of securities borrowed. Deposits for securities borrowed are held in escrow at a national brokerage firm at December 31, 2000.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transaction may expose the Company to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels and, pursuant to such guidelines, requires the customer to deposit additional collateral to reduce positions when necessary.

Certain customer transactions involve the sale of securities not yet purchased. Such transactions may expose the Company to off-balance sheet risk in the event that collateral provided is not sufficient to cover losses that customers may incur upon market fluctuations. In the event that the customer fails to satisfy its obligations, the Company may be required to purchase or sell such securities at prevailing market prices in order to fulfill the customer's obligations.

Unpaid customer securities are pledged as collateral for bank borrowings and to satisfy margin deposits of clearing organizations under contracts with these organizations. In the event that such party is unable to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices.

Customer transactions are recorded on a settlement-date basis, which is generally three business days after the trade date. The Company is therefore exposed to risk of loss on these transactions in the event of the customer's or broker's inability to meet the terms of their contracts, in which case the Company may have to purchase or sell securities at prevailing market prices. Settlement of these transactions in the unlikely event the customer or other brokers are unable to meet the terms of their contracts is not expected to have a significant effect on the financial condition of the Company.

Securities not received or delivered at the settlement date result in failed trades. Should the other party to these transactions be unable to fulfill its obligations, the Company may be required to purchase or sell these securities at prevailing market prices. Securities sold, not yet purchased are subject to the risk that the market value of such securities will increase, and may not be able to cover the position.

Note 13. Subsequent Event – Acquisition of K. & S., Inc.

On January 24, 2001 the Company acquired K. & S., Inc., a specialist firm with operations at the Boston Stock Exchange effective January 1, 2001. K. & S., Inc. is one of the largest independently owned specialist operations on the Boston Stock Exchange and was formed 28 years ago. The Company has accounted for this transaction under the purchase method of accounting. The purchase price was \$1,562,500 (net of cash acquired) and was comprised of \$1.2 million cash, a \$300,000 note payable and 100,000 shares of the Company's common stock with a value of \$62,500. The excess of purchase price over tangible assets acquired was approximately \$1,500,000 and has been recorded by the Company as intangible assets.

FECHTOR, DETWILER, MITCHELL & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 14. Selected Quarterly Financial Data (unaudited)

	2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 5,925,519	\$ 4,485,264	\$ 4,522,505	\$ 5,472,692
Expenses:				
Compensation and benefits	3,602,586	2,552,492	2,723,358	3,360,085
Other expenses	2,048,319	1,484,780	1,546,775	1,950,495
Settlement and merger costs	-	-	-	-
	<u>5,650,905</u>	<u>4,037,272</u>	<u>4,070,133</u>	<u>5,310,580</u>
Income (loss) before income taxes	274,614	447,992	252,372	162,112
Income tax (expense) benefit	<u>(109,845)</u>	<u>(233,691)</u>	<u>(100,949)</u>	<u>(64,850)</u>
Net income	<u>\$ 164,769</u>	<u>\$ 214,301</u>	<u>\$ 151,423</u>	<u>\$ 97,262</u>
Net income per share— basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average shares outstanding:				
Basic	<u>12,781,251</u>	<u>12,322,473</u>	<u>10,893,498</u>	<u>10,382,349</u>
Diluted	<u>13,074,778</u>	<u>12,322,473</u>	<u>10,902,826</u>	<u>10,408,986</u>
	1999			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 3,766,885	\$ 4,099,989	\$ 3,014,396	\$ 4,273,093
Expenses:				
Compensation and benefits	2,405,303	2,109,632	2,514,149	2,513,899
Other expenses	1,065,546	1,287,389	1,102,526	1,255,796
Settlement and merger costs	-	393,815	1,495,199	247,917
	<u>3,470,849</u>	<u>3,790,836</u>	<u>5,111,874</u>	<u>4,017,612</u>
Income (loss) before income taxes	296,036	309,153	(2,097,478)	255,481
Income tax (expense) benefit	<u>(133,216)</u>	<u>(131,783)</u>	<u>708,126</u>	<u>(55,545)</u>
Net income (loss)	<u>\$ 162,820</u>	<u>\$ 177,370</u>	<u>\$ (1,389,352)</u>	<u>\$ 199,936</u>
Net income (loss) per share— basic and diluted	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ (0.16)</u>	<u>\$ 0.02</u>
Weighted average shares outstanding— basic and diluted	<u>6,600,000</u>	<u>6,600,000</u>	<u>8,705,484</u>	<u>12,879,938</u>

Report of Independent Accountants

To the Board of Directors and Shareholders of
Fechtor, Detwiler, Mitchell & Co.

In our opinion, the accompanying consolidated statement of financial condition and the related consolidated statements of income, changes in stockholders' equity, and cash flows present fairly, in all material respects, the financial position of Fechter, Detwiler, Mitchell & Co. and its subsidiaries at December 31, 2000 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. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

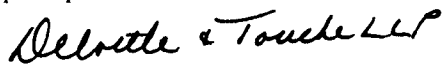
February 27, 2001

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statement of financial condition of Fechtor, Detwiler, Mitchell & Co. and subsidiaries as of December 31, 1999, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended. 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 generally accepted auditing standards. 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 Fechtor, Detwiler, Mitchell & Co. and subsidiaries at December 31, 1999, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Boston, Massachusetts
March 9, 2000



ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Fechtor, Detwiler & Co., Inc.:

We have audited the accompanying statement of financial condition of Fechter, Detwiler & Co., Inc. as of December 31, 1998, and the related statements of operations, retained earnings 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 and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 Fechter, Detwiler & Co., Inc. at December 31, 1998, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II and III 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.

Arthur Andersen LLP

Boston, Massachusetts
February 10, 1999

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

On October 13, 2000, the Company filed a report on Form 8-K which reported the engagement of PricewaterhouseCoopers LLP on October 12, 2000 as its independent auditors for fiscal 2000.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

Information with respect to Directors and Executive Officers of the Company can be found under the heading captioned “Board of Directors and Officers of Fechtor, Detwiler, Mitchell & Co.” and “Compliance with Section 16(a) of the Securities Exchange Act of 1934” appearing in the Company’s 2001 proxy statement and is incorporated herein by reference.

Item 11. *Executive Compensation*

Information with respect to Executive Compensation can be found under the heading captioned “Executive Compensation” appearing in the Company’s 2001 proxy statement and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management*

Information with respect to security ownership may be found under the heading captioned “Security Ownership of Certain Beneficial Owners and Management” appearing in the Company’s 2001 proxy statement and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions*

Information with respect to this item may be found under the heading “Compensation Committee and Insider Participation and Certain Relationships and Related Transactions” appearing in the Company’s 2001 proxy statement and is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statements, Schedules, and Reports on Form 8-K

(a)(3) The following exhibits are filed herewith:

3.1 Certificate of Incorporation of the Registrant.(1)

3.2 Certificate of Amendment of Certificate of Incorporation of the Registrant.(1)

3.3 By-laws of the Registrant.(1)

4.1 Shareholder Rights Agreement, dated as of February 21, 1990, between Spear Financial Services, Inc. and First Interstate Bank, Ltd., as Rights Agent, as amended effective, July 16, 1992.(1)

4.11 Amendment No. 2 to Shareholder Rights Agreement, dated February 20, 2000, extending the expiration date of the Shareholder Rights Agreement to February 21, 2010.(5)

10.1 JMC Group, Inc. 1993 Employee Stock Option Plan.(2)(7)

10.2 JMC Group, Inc. 1993 Employee Stock Option Plan.(3)(7)

10.3 Employment Agreement with James K. Mitchell dated as of January 1, 1998.(4)(7)

10.4 Agreement and Plan of Merger dated June 30, 1999 among Fechtor, Detwiler & Co., Inc., JMC Merger, Inc. and JMC Group, Inc.(6)

10.5 1999 Special Stock Option Plan for Fechtor, Detwiler & Co., Inc. dated August 30, 1999 which was assumed by Fechtor, Detwiler, Mitchell & Co. after the Merger.(7) (8)

10.6 2000 Omnibus Equity Incentive Plan adopted by the Board of Directors on February 28, 2000 to be voted on at the Annual Meeting of Stockholders on or about May 22, 2000. (7) (8)

10.7 Employment Agreement with James K. Mitchell dated as of January 1, 2001. (9)

10.8 Employment Agreement with Kenneth M. King dated as of January 1, 1998. (9)

10.9 Purchase Agreement by and between Fechtor, Detwiler, Mitchell & Co. and K. & S., Inc. (9)

10.10 Stock Option Agreements by and between Fechtor, Detwiler, Mitchell & Co. and George Simpkins, Philip Routledge and Dena Morrison. (9)

22 Subsidiaries of the Registrant. (9)

23.1 Consent of PricewaterhouseCoopers LLP. (9)

23.2 Consent of Deloitte & Touche LLP. (9)

23.3 Consent of Arthur Andersen LLP. (9)

(b) Reports on Form 8-K.

- (1) On October 13, 2000, the Company filed a report on Form 8-K which reported the engagement of PricewaterhouseCoopers LLP on October 12, 2000 as its independent auditors for fiscal 2000.

Item 14. Exhibits, Financial Statements, Schedules, and Reports on Form 8-K (continued)

Notes:

- (1) Filed as an Exhibit to the Registrant's Form 10-K for the fiscal year ended December 31, 1993.
- (2) Filed as an Exhibit to the Registrant's Form S-8 Registration Statement No. 33-74842 filed with the SEC on February 7, 1994.
- (3) Filed as an Exhibit to the Registrant's Form S-8 Registration Statement No. 33-74840 filed with the SEC on February 7, 1994.
- (4) Filed as an Exhibit to the Registrant's Form 10-K for the fiscal year ended December 31, 1997.
- (5) Filed as an Exhibit to the Registrant's Form 8-K dated March 24, 2000.
- (6) Filed as an Exhibit to Registrant's Definitive Proxy Statement dated August 5, 1999.
- (7) Management contract or compensatory plan or arrangement.
- (8) Filed as an Exhibit to the Registrant's Form 10-K for the fiscal year ended December 31, 1999.
- (9) Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/James Mitchell</u> James Mitchell	Chairman, Chief Executive Officer and Director	March 2, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities on the date shown.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/James Mitchell</u> James Mitchell	Chairman, Chief Executive Officer and Director	March 2, 2001
<u>/s/Stephen Martino</u> Stephen Martino	Chief Financial Officer and Principal Accounting Officer	March 2, 2001
<u>/s/Edward Baran</u> Edward Baran	Director	March 2, 2001
<u>/s/Barton Beek</u> Barton Beek	Director	March 2, 2001
<u>/s/Andrew Detwiler</u> Andrew Detwiler	President and Director	March 2, 2001
<u>/s/Robert Detwiler</u> Robert Detwiler	Director	March 2, 2001
<u>/s/Edward Hughes</u> Edward Hughes	Chief Operating Officer and Director	March 2, 2001
<u>/s/Frank Jenkins</u> Frank Jenkins	Director	March 2, 2001
<u>/s/Robert Sharp</u> Robert Sharp	Director	March 2, 2001