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

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2001
Estimated average burden
hours per response..... 12.00



02003071

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

SEC FILE NUMBER
53115
FEB 28 2002
WASHINGTON, DC

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Insight Advisors LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2425 Olympic Blvd, Suite 900S West

Santa Monica
(City)

CA
(State)

90404
(Zip Code)

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

Alexander Passmore

310-556-3287

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

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

355 South Grand Avenue, Suite 2000, Los Angeles, CA 90071

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 29 2002

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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)

VF 3-26-02

OATH OR AFFIRMATION

I, Alexander Passmore, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Insight Advisors LLC, as of 12/31, 20 01, 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:



Gary L. Sparks
Notary Public

[Signature]
Signature
Vice President
Title

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 Proprietors' 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 15c3-3 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).



355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Members
Insight Advisors, LLC:

We have audited the accompanying statement of financial condition of Insight Advisors, LLC as of December 31, 2001 and the related statements of income, changes in members' capital, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Insight Advisors LLC as of December 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our 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.

KPMG LLP

Los Angeles, California
February 18, 2002

INSIGHT ADVISORS, LLC
Statement of Financial Condition
December 31, 2001

Assets

Cash	\$ 1,469,618
Short-term investments	315,556
Receivables from brokers	59,372
Equipment (net of accumulated depreciation of \$33,440)	18,900
Other assets	26,562
	<u>1,890,008</u>
	<u>\$ 1,890,008</u>

Liabilities and Members' Capital

Accounts payable and accrued liabilities	\$ 151,075
Deferred rent expense	35,513
Total liabilities	<u>186,588</u>
Members' capital	
Total members' capital	<u>1,703,420</u>
Total liabilities and members' capital	<u>\$ 1,890,008</u>

See accompanying notes to financial statements.

INSIGHT ADVISORS, LLC

Statement of Income

Year ended December 31, 2001

Revenues:

Management advisory fees	\$	1,097,582
Commissions		213,327
Interest income		20,852
		<hr/>
		1,331,761

Expenses:

Compensation and benefits		535,700
General and administrative		178,501
Rent expense		266,902
Professional services		209,368
Depreciation		17,447
Interest expense		6,387
		<hr/>
Total expenses		1,214,305
		<hr/>
Net income	\$	<u>117,456</u>

See accompanying notes to financial statements.

INSIGHT ADVISORS, LLC
Statement of Changes in Members' Capital
Year ended December 31, 2001

	<u>Members' capital</u>
Balance at December 31, 2000	\$ 435,964
Capital contributed	1,830,000
Capital withdrawn	(680,000)
Net income	<u>117,456</u>
Balance at December 31, 2001	<u>\$ 1,703,420</u>

See accompanying notes to financial statements.

INSIGHT ADVISORS, LLC

Statement of Cash Flows

Year ended December 31, 2001

Cash flows from operating activities:	
Net income	\$ 117,456
Adjustment to reconcile net income to net cash used in operating activities:	
Depreciation	17,447
Deferred rent	13,810
(Increase) decrease in operating assets:	
Due from brokers	(41,000)
Other assets	(4,694)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued liabilities	179,874
Net cash provided by operating activities	<u>282,893</u>
Cash flows from financing activities:	
Capital contributions	1,830,000
Capital withdrawals	(680,000)
Net cash provided by financing activities	<u>1,150,000</u>
Net increase in cash	1,432,893
Cash at beginning of year	<u>36,725</u>
Cash at end of year	<u>\$ 1,469,618</u>
Supplemental cash flow information:	
Interest paid	<u>\$ 6,387</u>

See accompanying notes to financial statements.

INSIGHT ADVISORS, LLC

Notes to Financial Statements

December 31, 2001

(1) Background

Insight Advisors, LLC (the Company) is a registered broker/dealer and investment advisor that focuses on the investment objectives and liquidity needs of high net worth individuals, closely held corporations, 401(k) Plans, and charitable trusts. The Company was formed in 1999 as a Delaware limited liability company, and completed its registration as a broker dealer with the NASD in May of 2001.

In connection with its activities as a broker-dealer, the Company does not hold funds or securities for customers. Accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 has been omitted.

(2) Summary of Significant Accounting Policies

(a) *Cash and Cash Equivalents*

Cash and cash equivalents include all cash balances and highly liquid investments which have a maturity at acquisition of three months or less.

(b) *Short-Term investments*

Short-term investments represent certificates of deposit held by the Company which mature within one year.

(c) *Security Transactions*

All security transactions are accounted for on a trade date basis.

(d) *Equipment*

Equipment consists of computer equipment, which is stated at cost less accumulated depreciation. Equipment is depreciated on a straight line basis over the estimated useful life of the asset, which is three years. Maintenance and repairs on equipment are charged to expense in the period incurred.

(e) *Income Taxes*

The Company was formed as a limited liability company, and has elected to be taxed as a partnership. As such, the earnings or loss of the Company flows to the members for inclusion on their tax returns.

(f) *Fair Value of Financial Instruments*

The Company carries its financial instruments at fair value or at amounts which are considered to approximate fair value.

(g) *Use of Estimates*

In preparing these financial statements, management of the Company is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from these estimates.

INSIGHT ADVISORS, LLC

Notes to Financial Statements

December 31, 2001

(3) Management Advisory Fees

Under the terms of a contractual investment management agreement, the Company earns base management fees from the SMM Trust (the Trust) at an annual rate of 0.50% of the first \$100 million of market value of the Trust's net assets plus 0.10% of the market value of the Trust's net assets in excess of \$100 million. Such base management fees are receivable from the Trust each quarter in advance based on the net asset of the Trust as of the close of business on the last business day of the preceding quarter. In the event that contributions to or withdrawals from the Trust are made during a quarter, the base management advisory fees are appropriately prorated and adjusted accordingly. During the year ended December 31, 2001 the Company earned base management fees of \$1,017,582.

The Company is also entitled to earn performance fees from the Trust based on the terms of the advisory agreement. Performance fees are calculated quarterly and payable in arrears in an amount equal to 10.00% of the cumulative net profits of the Trust since the inception of the Company's management less (a) the total of all prior management advisory and performance fees charged to the Trust, (b) all operating costs charged at the Trust level, and (c) an imputed interest charge applied to the Trust's net assets. Net profits for purposes of calculating the performance fee are defined to be the sum of all realized and unrealized gains and losses on the Trust's net assets. The Company recognized no performance fees during the year ended December 31, 2001.

The terms of the investment advisory agreement also provide that the Company is to be reimbursed for certain valuation costs incurred in managing the Trust. Included in management advisory fees for the year ended December 31, 2001 are \$80,000 in valuation costs incurred by the Company which are reimbursed/reimbursable by the Trust.

(4) Commissions

The Company earns commissions on the sales of mutual fund products to its customers. Such fees are recorded as revenues when earned.

(5) Off Balance Sheet Risk

In the normal course of business, the Company is involved in the execution of various customer security transactions. Securities transactions are subject to the risk of counterparty or customer nonperformance; however, transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date. The settlement of these transactions is not expected to have a material effect on the Company's financial statements.

INSIGHT ADVISORS, LLC

Notes to Financial Statements

December 31, 2001

(6) Commitments

The Company is obligated under an operating lease agreement for its office space in Santa Monica, California. Future minimum annual lease payments under the agreement are as follows:

2002	\$	154,203
2003		142,587
2004		148,284
2005		154,365
2006		160,494
Thereafter		<u>268,877</u>
	\$	<u>1,028,810</u>

In connection with the lease of their office space, the Company is required to maintain a letter of credit in the amount of \$315,000. The letter of credit can be drawn on by the Company's landlord in the event that the Company's rent is not paid on a timely basis. As of December 31, 2001 the Company had a letter of credit with the California Bank and Trust with a maturity date of February 9, 2002, which was collateralized by \$315,000 of the Company's short term investments.

No borrowings were made against the line during 2001, but the Company was charged fees at an annual rate of 1% on the unused borrowings under the terms of the borrowing agreement. In February of 2002 the line of credit was extended to mature on February 9, 2003.

(7) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission (SEC) Uniform Net Capital Rule (Rule 15c-1), which requires the maintenance of minimum net capital. The Company must maintain minimum net capital, as defined, equal to the greater of \$5,000 or 12.5% of aggregate debit balances arising from customer transactions, as defined.

At December 31, 2001, the Company had net capital of \$1,342,958, which was \$1,319,634 in excess of required net capital.

(8) Subsequent Events

During February of 2002, SMM Trust withdrew its assets under management by the Company.

Schedule

INSIGHT ADVISORS, LLC

Computation of Net Capital under Rule 15c3-1 of the
Securities and Exchange Commission

Year ended December 31, 2001

Net capital – total members' capital	\$	1,703,420
Less non-allowable assets:		
Equipment net		18,900
Other assets		26,562
		<u>45,462</u>
Net capital before haircuts on securities		<u>1,657,958</u>
Haircuts on securities:		
Pledged short term investments		315,000
		<u>315,000</u>
Net capital	\$	<u><u>1,342,958</u></u>
Aggregate indebtedness:		
Accounts payable and accrued liabilities	\$	151,075
Deferred rent expense		35,513
		<u>186,588</u>
Total aggregate indebtedness	\$	<u><u>186,588</u></u>
Computation of basic net capital requirement:		
Net capital required – greater of \$5,000 or 12.5% of aggregate indebtedness of \$186,588	\$	23,324
Net capital in excess of requirements		1,319,634
Ratio of aggregate indebtedness to net capital		0.139 to 1

The reconciliation of net capital under Rule 15c3-1(A)(1)(11) as of December 31, 2001, computed by Insight Advisors, LLC in its Form X-17a-5, Part 11, filed with NASD Regulation, Inc. on January 30, 2002 and the above computation, which is based upon audited financial statements, is as follows.

	<u>As reported in Part 11A of form X-17A-5</u>	<u>Difference (1)</u>	<u>As reported herein</u>
Net capital	1,407,866	(64,908) (1)	1,342,958
Aggregate indebtedness	51,193	135,395 (2)	186,588
Ratio of aggregate indebtedness to net capital	0.036 to 1		0.139 to 1

(1) Due to changes in operating expenses recorded

(2) Due to changes in operating expenses recorded and accounts payable not previously reported in aggregate indebtedness

See accompanying independent auditors' report.



355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

Report on Internal Control

The Members
Insight Advisors, LLC:

In planning and performing our audit of the financial statements and supplemental schedule of Insight Advisors LLC (the Company) for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregated debits and net capital under Rule 17a-3(a)(1) and for determining compliance with the exemptive provisions of Rule 150-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following: 1) making quarterly securities examinations, counts, verifications, and comparisons; 2) recordation of differences required by Rule 17a-13 and 3) complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the board of governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicated a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use of the managing member of the Company, management, the SEC and NASD Regulation, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 18, 2002