

B/B 3/5



SECURIT

02003306

MISSION

Washington, D.C. 20549

| | |
|---|--------------------|
| OMB APPROVAL | |
| OMB Number: | 3235-0123 |
| Expires: | September 30, 1998 |
| Estimated average burden hours per response . . . | 12.00 |

| |
|-----------------|
| SEC FILE NUMBER |
| 8- 27669 |



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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

LEE HARRIS AND COMPANY

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

4201 West 36th Street, Suite 100

| |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO. |

(No. and Street)

Chicago

Illinois

60632

(City)

(State)

(Zip Code)

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

LEE HARRIS

773-650-1570

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

JON GEORGE FLOODAS

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

4747 W. Peterson Ave. Chicago, IL 60646

(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 15 2002
THOMSON
FINANCIAL

| |
|-----------------------|
| FOR OFFICIAL USE ONLY |
|-----------------------|

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

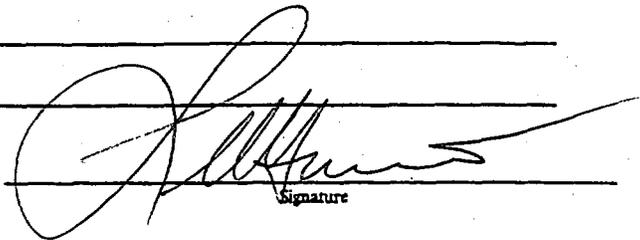
SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

UH 3-14-02

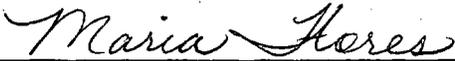
OATH OR AFFIRMATION

I, Lee Harris, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lee Harris and Company, as of December 31, ~~15~~ 2001, 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:

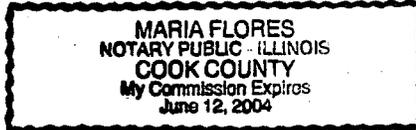

Signature

PRESIDENT

Title



Notary Public



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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

JON FLOODAS
CERTIFIED PUBLIC ACCOUNTANT
4747 WEST PETERSON AVENUE, SUITE 300
CHICAGO, ILLINOIS 60646
(773) 202-0177
FAX (773) 777-6557

MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
ILLINOIS CPA SOCIETY

INDEPENDENT AUDITOR'S REPORT

Mr. Lee Harris
Lee Harris and Company
Chicago, Illinois

I have audited the accompanying statement of financial condition of Lee Harris and Company as of December 31, 2001, and the related statements of income, changes in ownership equity, cash flows and changes in subordinated liabilities for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial condition of Lee Harris and Company as of December 31, 2001 and the results of its operations, changes in ownership equity, cash flows and changes in subordinated liabilities for the year then ended in conformity with accounting principles generally accepted in the United States.

My examination has been made for the purpose of forming the opinion on the basic financial statements, taken as a whole. The accompanying information included in this report on pages 14 through 24, although not considered necessary for a fair presentation in conformity with generally accepted accounting principles, is presented for supplementary analysis purposes and has been subjected to the audit procedures applied in the examination of the basic financial statements. In my opinion, the accompanying information is stated fairly in all material respects in relation to the basic financial statements taken as a whole, and presents fairly the information included therein in conformity with the rules of the Securities and Exchange Commission.

February 9, 2002





LEE HARRIS AND COMPANY

**Financial Statements
and
Accompanying Information
for the year ended
December 31, 2001**

LEE HARRIS AND COMPANY

Statement of Financial Condition
December 31, 2001

Assets

| | |
|--|------------------|
| Current assets | |
| Cash and cash equivalents | \$ 1,835 |
| Receivable | |
| Secured demand notes receivable collateralized by money market account (note 1) | <u>5,500</u> |
| Total current assets | <u>7,335</u> |
| Property and equipment (note 1) | |
| Automobile | 19,648 |
| Computer equipment | 6,732 |
| Office equipment | <u>1,964</u> |
| Total property and equipment | 28,344 |
| Less accumulated depreciation | <u>20,404</u> |
| Property and equipment, net of depreciation | <u>7,940</u> |
| Other assets | |
| Stock warrants | <u>3,300</u> |
| Total assets | <u>\$ 18,575</u> |

Liabilities and Ownership Equity

| | |
|---|------------------|
| Current liabilities | |
| Replacement tax payable | <u>\$ 63</u> |
| Liabilities subordinated to claims of general creditors (note 1) | |
| Due to shareholder | <u>5,500</u> |
| Ownership equity | |
| Common stock, \$1 par value; authorized 10,000 shares, issued and outstanding 1,000 shares | 1,000 |
| Donated capital | 57,531 |
| Retained earnings (deficit) | <u>(45,519)</u> |
| Total ownership equity | <u>13,012</u> |
| Total liabilities and ownership equity | <u>\$ 18,575</u> |

See notes to financial statements

**FORM
X-17A-5**

FOCUS REPORT

OMB No. 3235-0123 (12)
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

3/89

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) 16 2) Rule 17a-5(b) X 17 3) Rule 17a-11 18
 4) Special request by designated examining authority 19 5) Other 25

NAME OF BROKER-DEALER

SEC FILE NO.

LEE HARRIS AND COMPANY 13

8-27669 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

FIRM ID. NO.

10617 15

4201 WEST 36th STREET, SUITE 100 20

FOR PERIOD BEGINNING (MM/DD/YY)

01-01-01 24

(No. and Street)

AND ENDING (MM/DD/YY)

12-31-01 25

CHICAGO 21 ILLINOIS 22 60632 23

(City)

(State)

(Zip Code)

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

(Area Code)—Telephone No.

LEE HARRIS 30

-773-650-1570 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE 33

32

34

35

36

37

38

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO X 41

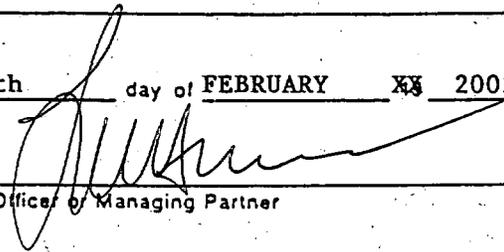
CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT X 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 9th day of FEBRUARY ~~XX~~ 2002

Manual signatures of:

1)  Principal Executive Officer or Managing Partner

2) Principal Financial Officer or Partner

3) Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:(a))

WORKING COPY

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

| | | | | |
|---|-------------------|------|-------|----------|
| INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report | | | | |
| FLOODAS, JON GEORGE, C.P.A. Name (If individual, state last, first, middle name) | | | | |
| 4747 W. PETERSON AVENUE, CHICAGO | | | | |
| | | | IL 70 | 60646 |
| ADDRESS | Number and Street | City | State | Zip Code |
| | 71 | 72 | 73 | 74 |

Check One

- Certified Public Accountant 75
- Public Accountant 76
- Accountant not resident in United States or any of its possessions 77

FOR SEC USE

| | |
|--|--|
| | |
|--|--|

DO NOT WRITE UNDER THIS LINE ... FOR SEC USE ONLY

| WORK LOCATION | REPORT DATE MM/DD/YY | DOC. SEQ. NO. | CARD | | | | |
|---------------|-------------------------|---------------|------|--|--|--|--|
| 50 | 51 | 52 | 53 | | | | |

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA

BROKER OR DEALER **LEE HARRIS AND COMPANY**

N 3

100

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND
CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 12-31-01 99
SEC FILE NO. 8-27669 98
Consolidated 198
Unconsolidated 199

ASSETS

| | Allowable | | Non-Allowable | | Total | |
|--|-----------|-----|---------------|-----|----------|-----|
| 1. Cash | \$ 1835 | 200 | | | \$ 1835 | 750 |
| 2. Receivables from brokers or dealers: | | | | | | |
| A. Clearance account | | 295 | | | | |
| B. Other | | 300 | \$ 550 | | | 810 |
| 3. Receivables from non-customers | | 355 | | 600 | | 830 |
| 4. Securities and spot commodities owned, at market value: | | | | | | |
| A. Exempted securities | | 418 | | | | |
| B. Debt securities | | 419 | | | | |
| C. Options | | 420 | | | | |
| D. Other securities | | 424 | | | | |
| E. Spot commodities | | 430 | | | | 850 |
| 5. Securities and/or other investments not readily marketable: | | | | | | |
| A. At cost | \$ 130 | | | | | |
| B. At estimated fair value | | 440 | | 610 | | 860 |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | | | | | | |
| A. Exempted securities | \$ 150 | | | | | |
| B. Other securities | \$ 7938 | 160 | | | | |
| 7. Secured demand notes: market value of collateral: | 5500 | 470 | | 640 | 5500 | 890 |
| A. Exempted securities | | 170 | | | | |
| B. Other securities | | 180 | | | | |
| 8. Memberships in exchanges: | | | | | | |
| A. Owned, at market | \$ 190 | | | | | |
| B. Owned, at cost | | | | 650 | | |
| C. Contributed for use of the company, at market value | | | | 660 | | 900 |
| 9. Investment in and receivables from affiliates, subsidiaries and associated partnerships | | 480 | | 670 | | 910 |
| 10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization | | 490 | 7940 | 680 | 7940 | 920 |
| 11. Other assets | | 535 | 3300 | 735 | 3300 | 930 |
| 12. TOTAL ASSETS | \$ 7335 | 540 | \$ 11240 | 740 | \$ 18575 | 940 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA

BROKER OR DEALER

LEE HARRIS AND COMPANY

as of 12-31-01

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING
AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

| <u>Liabilities</u> | <u>A.I.</u> <u>Liabilities</u> | <u>Non-A.I.</u> <u>Liabilities</u> | <u>Total</u> |
|---|-----------------------------------|---------------------------------------|--------------|
| 13. Bank loans payable..... | \$ 1045 | \$ 1255 | \$ 1470 |
| 14. Payable to brokers or dealers: | | | |
| A. Clearance account..... | 1114 | 1315 | 1560 |
| B. Other..... | 1115 | 1305 | 1540 |
| 15. Payable to non-customers..... | 1155 | 1355 | 1610 |
| 16. Securities sold not yet purchased, at market value..... | | 1360 | 1620 |
| 17. Accounts payable, accrued liabilities, expenses and other..... | 63 | 1385 | 63 1685 |
| 18. Notes and mortgages payable: | | | |
| A. Unsecured..... | 1210 | | 1690 |
| B. Secured..... | 1211 | 1390 | 1700 |
| 19. Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings: | | 1400 | 1710 |
| 1. from outsiders \$..... | 970 | | |
| 2. Includes equity subordination (15c3-1 (d)) of \$..... | 980 | | |
| B. Securities borrowings, at market value:... | | 1410 | 1720 |
| from outsiders \$..... | 990 | | |
| C. Pursuant to secured demand note collateral agreements:..... | | 5500 1420 | 5500 1730 |
| 1. from outsiders: \$..... | 1000 | | |
| 2. Includes equity subordination (15c3-1 (d)) of \$ 5500..... | 1010 | | |
| D. Exchange memberships contributed for use of company, at market value..... | | 1430 | 1740 |
| E. Accounts and other borrowings not qualified for net capital purposes..... | 1220 | 1440 | 1750 |
| 20. TOTAL LIABILITIES..... | \$ 63 1230 | \$ 5500 1450 | \$ 5563 1760 |

Ownership Equity

| | | |
|---|---------|---------------|
| 21. Sole proprietorship..... | | \$ 1770 |
| 22. Partnership (limited partners.....) | \$ 1020 | 1780 |
| 23. Corporation: | | |
| A. Preferred stock..... | | 1791 |
| B. Common stock..... | 1000 | 1792 |
| C. Additional paid-in capital..... | 57531 | 1793 |
| D. Retained earnings..... | (45519) | 1794 |
| E. Total..... | 13012 | 1795 |
| F. Less capital stock in treasury..... | | 1796 |
| 24. TOTAL OWNERSHIP EQUITY..... | | \$ 13012 1800 |
| 25. TOTAL LIABILITIES AND OWNERSHIP EQUITY..... | | \$ 18575 1810 |

OMIT PENNIES