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

**FACING PAGE**  
Information Required of Brokers and Dealers  
Pursuant to Section 17 of the Securities Exchange Act of 1934  
and Rule 17a-5 Thereunder

SEC FILE NUMBER  
8-35370

3/5/02 FV

REPORT FOR THE PERIOD BEGINNING 12/31/00 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Ragen MacKenzie Investment Services, LLC

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

1000 2<sup>nd</sup> Avenue, Suite 3130

(No. and Street)

Seattle

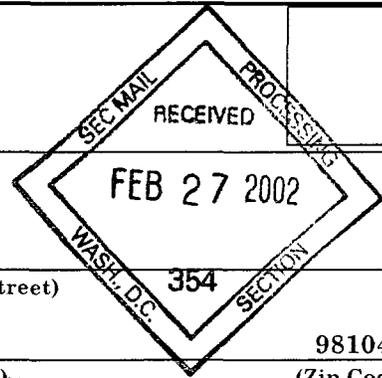
(City)

WA

(State)

98104

(Zip Code)



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

Jon Meiners

(206) 233-2843

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
(Name - if individual, state last, first, middle name)

KPMG, LLP

4200 Wells Fargo Center  
90 South Seventh St.

(ADDRESS) Number and Street

Minneapolis

City

MN

State

55402

Zip Code

CHECK ONE:

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

**PROCESSED**

MAR 18 2002

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FINANCIAL

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

## OATH OR AFFIRMATION

I, Jon H. Meiners, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Ragen MacKenzie Investment Services, LLC as of December 31, 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:].

  
\_\_\_\_\_  
Jon H. Meiners  
CEO

  
\_\_\_\_\_  
Notary Public



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

- (a) Facing Page
- (b) Statement of Financial Condition
- (c) Statement of Income
- (d) Statement of Cash Flows
- (e) Statement of Changes in Stockholder's Equity of 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 Requirement 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 Rule 15c3-3
- Schedule of Segregation Requirements and Funds in Segregation Pursuant to Commodity Exchange Act
- (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)



**RAGEN MACKENZIE INVESTMENT SERVICES, LLC**

Statement of Financial Condition

December 31, 2001

[With Independent Auditors' Report Thereon]

**RAGEN MACKENZIE INVESTMENT SERVICES, LLC**

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4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## Independent Auditors' Report

The Board of Governors and Member  
Ragen Mackenzie Investment Services, LLC:

We have audited the accompanying statement of financial condition of Ragen Mackenzie Investment Services, LLC, a wholly owned subsidiary of Wells Fargo Investment Group, Inc. whose ultimate parent is Wells Fargo & Company, as of December 31, 2001 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement presents fairly, in all material respects, the financial position of Ragen Mackenzie Investment Services, LLC as of December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

February 15, 2002



**RAGEN MACKENZIE INVESTMENT SERVICES, LLC**

Statement of Financial Condition

December 31, 2001

**Assets**

Cash	\$	1,085,652
Interest and commissions receivable		82,311
Securities owned, at market value (note 3)		461,756
Furniture, equipment, and leasehold improvements, at cost, less accumulated depreciation of \$56,466		28,505
Receivable from affiliated clearing broker, net		942,611
Notes receivable from related parties		72,472
Other assets		6,773
		<hr/>
Total assets	\$	<u>2,680,080</u>

**Liabilities and Member's Equity**

Liabilities:

Accrued compensation and related benefits	\$	1,120,739
Payable to affiliate - WFC		25,902
Other liabilities and accrued expenses		106,212
		<hr/>
Total liabilities		1,252,853
Commitments and contingencies (note 5)		
Member's equity		<hr/>
		1,427,227
		<hr/>
Total liabilities and member's equity	\$	<u>2,680,080</u>

See accompanying notes to statement of financial condition.

## RAGEN MACKENZIE INVESTMENT SERVICES, LLC

### Notes to Statement of Financial Condition

December 31, 2001

#### (1) Organization and Nature of Operations

Ragen Mackenzie Investment Services, LLC (RMIS) is a wholly owned subsidiary of Wells Fargo Investment Group, Inc. (WFIG) whose ultimate parent is Wells Fargo & Company (WFC). RMIS' primary activities are retail securities brokerage, which includes the purchase and sale of municipal and corporate bonds, the sale of equities, and the sale of certain mutual funds and variable annuities. RMIS is registered with the Securities and Exchange Commission (the SEC) as a broker/dealer, is a member firm of the National Association of Securities Dealers, Inc. (NASD), and has retail offices located in five western states of the United States.

All securities transactions, with the exception of those involving mutual funds and variable annuities sold by subscription, are cleared through a related party broker/dealer, Wells Fargo Investments, LLC (WFI), on a fully disclosed basis. RMIS does not receive or hold funds of subscribers or securities of issuers, and does not hold customer funds or securities.

#### (2) Summary of Significant Accounting Policies

##### (a) *Securities Transactions*

Securities owned are recorded on a trade date basis at quoted market values.

##### (b) *Fair Value of Financial Instruments*

Substantially all of RMIS' financial assets and liabilities are carried at market value or at amounts, which, because of their short-term nature, approximate current fair value.

##### (c) *Receivable from Affiliated Clearing Broker*

Amounts payable to, or receivable from, WFI (related party clearing broker) consist of commissions and the contract value of securities which have not been delivered or received as of the date of the statement of financial condition.

##### (d) *Furniture, Equipment, and Leasehold Improvements*

Furniture, equipment, and leasehold improvements are stated at cost less accumulated depreciation. Furniture and equipment are depreciated using the straight-line method over the estimated useful life of the asset, generally five to seven years. Leasehold improvements are depreciated over the shorter of the estimated useful life or the term of the lease.

##### (e) *Income Taxes*

As a Limited Liability Company, RMIS is disregarded as an entity separate from its owner and its operations are included in the federal and state income tax returns of its parent, WFIG, the LLC's sole member.

##### (g) *Use of Estimates*

The preparation of the statement of financial position in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

**RAGEN MACKENZIE INVESTMENT SERVICES, LLC**

Notes to Statement of Financial Condition

December 31, 2001

assets and liabilities at the date of the statement of financial condition. Actual results could differ from such estimates.

**(3) Marketable Securities Owned**

Marketable securities owned consist of trading securities at quoted market values as follows:

Corporate bonds, debentures, and notes	\$ 60,666
State and municipal obligations	<u>401,090</u>
	<u>\$ 461,756</u>

**(4) Related Party Transactions**

In the ordinary course of business, RMIS enters into material transactions with other affiliates of WFC. During the year ended December 31, 2001, transactions with affiliates include costs incurred for employee benefit programs sponsored by WFC (note 7), clearing services, and interest paid to affiliates under short-term financing arrangements.

RMIS uses WFI as a clearing broker for all securities transactions, with the exception of those involving mutual funds and variable annuities sold by subscription.

RMIS may borrow up to \$6,000,000 under terms of a margin loan agreement with WFI, for which no amounts were outstanding at December 31, 2001. RMIS pays interest under this agreement at interest rates approximating commercial lending rates.

RMIS is charged for various services provided by WFC.

**(5) Leases, Commitments and Contingencies**

RMIS leases certain office space under an operating lease which expires in 2003. Future minimum rentals under the terms of the lease agreement are as follows:

<u>December 31,</u>	
2002	\$ 73,501
2003	<u>6,563</u>
	<u>\$ 80,064</u>

In the normal course of business, there are various lawsuits, claims, and contingencies pending against RMIS which, in the opinion of management, will be resolved with no material impact on RMIS' financial position.

**(6) Net Capital Requirements**

RMIS is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires RMIS to maintain minimum net capital, and requires that the ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1. At December 31, 2001, RMIS' net

## RAGEN MACKENZIE INVESTMENT SERVICES, LLC

### Notes to Statement of Financial Condition

December 31, 2001

capital was \$1,265,542 which was \$1,165,542 in excess of its required net capital of \$100,000 and had a percentage of aggregate indebtedness to net capital of 99%.

RMIS is exempt from the provisions of SEC Rule 15c3-3, *Customer Protection: Reserves and Custody of Securities*. Accordingly, the Computation for Determination of Reserve Requirements and Information Relating to the Possession or Control Requirements is not required.

#### **(7) Employee Benefits**

RMIS' employees are eligible for benefits under WFC's 401(k) Plan. Under the 401(k) Plan, each eligible employee may contribute up to 18% of their pretax certified compensation, although certain employees who are considered "highly compensated" under the Internal Revenue Code may be subject to certain limitations. Participant salary deferral contributions are matched by the company 100% up to 6% of certified earnings.

#### **(8) Financial Instruments With Off-Balance-Sheet Risk**

RMIS clears all transactions for its customers on a fully disclosed basis with a related party clearing firm that carries all customer accounts and maintains related records. Nonetheless, RMIS is liable to the clearing firm for the transactions of its customers. These activities may expose RMIS to off-balance-sheet risk in the event a counterparty is unable to fulfill its contractual obligations. RMIS maintains all of its trading securities at the clearing firm, and these trading securities collateralize amounts due to the clearing firm.

Customers are required to complete their transactions on the settlement date, generally three business days after the trade date. RMIS 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 RMIS may have to purchase or sell financial instruments at prevailing market prices. The impact of unsettled transactions is not expected to have a material effect upon RMIS' financial statements.