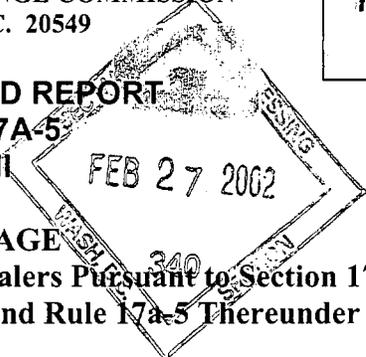


UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



SEC FILE NUMBER  
8 - 26119

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



CM

FACING PAGE

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

FV 3/4/02

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:  
**Presidio Financial Services, Inc.**

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
711 Navarro Street, Suite 730

(No. and Street)

San Antonio  
(City)

Texas  
(State)

78205  
(Zip Code)

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

Shannon Braymen

210222 0111  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Phillip V. George, PLLC

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

2300 Honey Locust Drive  
(Address)

Irving  
(City)

Texas  
(State)

75063  
(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 22 2002

P

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).

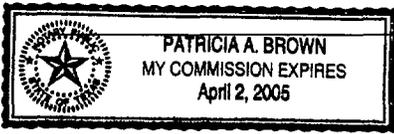
SEC 1410 (3-91) Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

3/26/02  
5-5

OATH OR AFFIRMATION

I, Shannon Braymen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Presidio Financial Services, Inc., 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:

NONE



Handwritten signature of Patricia A. Brown, Notary Public.

Signature of Shannon Braymen, Title: President.

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

- (a) Facing page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Cash Flows.
(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.
(o) Independent auditor's report on the internal control as required by SEC rule 17a-5.

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

**PRESIDIO FINANCIAL SERVICES, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2001**

## CONTENTS

---

INDEPENDENT AUDITOR'S REPORT	1
------------------------------	---

---

### FINANCIAL STATEMENTS

Statement of financial condition	2
Statement of income	3
Statement of changes in stockholder's equity	4
Statement of cash flows	5
Notes to financial statements	6 - 9

---

### SUPPLEMENTARY SCHEDULES

I. Computation of net capital and aggregate indebtedness pursuant to Rule 15c3-1	10
II. Reconciliation of the computation of net capital with that of the registrant as filed in Part II of Form X-17a-5	11

---

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	12 - 13
---	---------

---

PHILLIP V. GEORGE, PLLC  
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Presidio Financial Services, Inc.

We have audited the accompanying statement of financial condition of Presidio Financial Services, Inc. as of December 31, 2001, and the related statements of income, changes in stockholder's equity, 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 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 Presidio Financial Services, Inc. as of December 31, 2001, 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 and II 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.



PHILLIP V. GEORGE, PLLC

Irving, Texas  
January 25, 2002

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Statement of Financial Condition**  
**December 31, 2001**

**ASSETS**

Cash and cash equivalents	\$ 173,084
Receivable from clearing broker/ dealer	19,121
Receivable from Parent	7,442
Clearing deposit	50,000
Prepaid expenses	13,111
Non-marketable securities	16,300
Property and equipment, net of accumulated depreciation of \$12,268	<u>11,755</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 290,813</u></u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts payable and accrued expenses	<u>\$ 63,943</u>
<b>TOTAL LIABILITIES</b>	<u>63,943</u>

**Stockholder's Equity**

Common stock, 50,000 shares authorized with \$.50 par value, 12,000 shares issued and outstanding	6,000
Additional paid-in capital	9,328
Retained earnings	<u>211,542</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<u>226,870</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<u><u>\$ 290,813</u></u>

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Statement of Income**  
**Year Ended December 31, 2001**

**Revenue**

Securities commissions	\$ 727,380
Interest	<u>11,615</u>
 TOTAL REVENUE	 <u>738,995</u>

**Expenses**

Compensation and related costs	308,654
Clearing charges	136,413
Management and incentive fees	45,537
Communications	87,743
Occupancy and equipment costs	9,154
Regulatory fees and expenses	7,562
Errors	4,716
Other expenses	<u>37,457</u>
 TOTAL EXPENSES	 <u>637,236</u>

Net income before provision for income tax	101,759
 Provision for income tax	 45,686
 Less: Income tax expense waived by Parent	 <u>(45,686)</u>

<b>NET INCOME</b>	<b><u><u>\$ 101,759</u></u></b>
-------------------	---------------------------------

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended December 31, 2001**

	<u>Common Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at December 31, 2000	12,000	\$ 6,000	\$ 9,328	\$ 159,783	\$ 175,111
Net income	-	-	-	101,759	101,759
Dividend to Parent	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Balances at December 31, 2001	<u>12,000</u>	<u>\$ 6,000</u>	<u>\$ 9,328</u>	<u>\$ 211,542</u>	<u>\$ 226,870</u>

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2001**

**Cash flows from operating activities:**

Net income	\$ 101,759
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	2,891
Changes in assets and liabilities	
Decrease in receivable from clearing broker/dealer	525
Increase in receivable from Parent	(7,442)
Increase in prepaid expenses	(2,147)
Decrease in bank overdraft	(13,450)
Increase in accounts payable and accrued expenses	<u>58,254</u>
Net cash provided by operating activities	<u>140,390</u>

**Cash flows from investing activities:**

Purchase of property and equipment	<u>(5,500)</u>
------------------------------------	----------------

**Cash flows from financing activities:**

Dividend to Parent	<u>(50,000)</u>
--------------------	-----------------

Net increase in cash and cash equivalents	84,890
Cash equivalents at beginning of year	<u>88,194</u>

Cash and cash equivalents at end of year	<u><u>\$ 173,084</u></u>
--	--------------------------

**Supplemental Disclosures of Cash Flow Information:**

There was no cash paid during the year for interest or income taxes.

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies**

Nature of Business:

Presidio Financial Services, Inc., (the Company) was organized in March 1981 as a Texas corporation. The Company is a wholly owned subsidiary of TTC Holdings of Delaware, Inc., an S Corporation, (Parent).

The Company is registered as a broker/dealer with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company's customers are institutions located throughout the United States and individuals primarily in Texas.

Significant Accounting Policies:

Basis of Accounting

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer, and promptly transmit all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Money market funds are considered cash equivalents.

Non-Marketable Securities

Non-marketable securities are recorded at cost.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is provided for on a straight line basis over five years.

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)**

Security Transactions

Security transactions and related commission revenue and expense are recorded on a trade date basis.

**Note 2 - Transactions with Clearing Broker/Dealer**

The agreement with the clearing broker/dealer provides for clearing charges at a fixed rate multiplied by the number of tickets traded by the Company. The agreement also requires the Company to maintain a minimum of \$50,000 as a deposit in an account with the clearing broker/dealer.

**Note 3 - Net Capital Requirements**

The Company is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2001, the Company had net capital and net capital requirements of \$174,918 and \$100,000, respectively. The Company's net capital ratio was .37 to 1.

**Note 4 - Non-Marketable Securities**

Non-marketable securities consist of 1,000 shares of common stock of The Nasdaq Stock Market, Inc. at a cost of \$13,000 and 300 warrants of the NASD to purchase shares of common stock of the Nasdaq Stock Market, Inc. at a cost of \$3,300. Each warrant entitles the Company to purchase four shares of common stock. The warrants are exercisable as follows:

<u>Shares subject to exercise</u>	<u>Exercisable on or after</u>	<u>Expiration</u>	<u>Exercise Price</u>
300	June 28, 2002	June 27, 2003	\$13
300	June 30, 2003	June 25, 2004	\$14
300	June 28, 2004	June 27, 2005	\$15
300	June 28, 2005	June 27, 2006	\$16

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 5 - Property and Equipment**

Property and equipment is carried at cost less accumulated depreciation and consists of the following:

Computer equipment	\$ 21,159
Furniture and fixtures	562
Leasehold improvements	<u>2,302</u>
	24,023
Accumulated depreciation	<u>(12,268)</u>
	<u>\$ 11,755</u>

Depreciation expense for the year was \$2,891 and is reflected in the accompanying statement of income as occupancy and equipment costs.

**Note 6 - Income Taxes**

The Company is included in the consolidated income tax return of its Parent. Income taxes are recorded using the separate company method to comply with FASB Statement 109. Any resulting provision or benefit for income taxes is recorded as receivable from or payable to the Parent. The Parent waived income tax expense of approximately \$46,000 for the year ended December 31, 2001. There were no amounts due to or from the Parent for income taxes at December 31, 2001.

The Company has approximately \$57,000 in future deductible expenses due to the cash basis method of accounting used for income taxes. These future deductible expenses create a deferred tax asset of approximately \$8,500; however, the entire amount has been offset by valuation allowance. The primary difference between income tax expense attributable to continuing operations for the year and the amount of income tax expense that would result from applying domestic federal statutory rates to pretax income from continuing operations is the cash basis method of accounting used by the Company for income tax purposes.

**Note 7 - Off-Balance-Sheet Risk and Concentration of Credit Risk**

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker/dealer.

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Notes to Financial Statements**

**Note 7 - Off-Balance-Sheet Risk and Concentration of Credit Risk (continued)**

The Company's cash equivalents, receivable from clearing broker/dealer and clearing deposit are held at or due from the Company's clearing broker/dealer. The Company has a total of \$235,822, or approximately 81%, of its assets in amounts held at or due from the Company's clearing broker/dealer.

**Note 8 - Related Party Transactions**

The Company has a management and administrative services agreement with Duncan Smith Investments, Inc., (DSI), formerly Duncan Smith Securities, Inc., a Texas corporation, and a related party. The agreement became effective April 30, 1998 and remains in effect until April 30, 2003, unless sooner terminated as provided for in the agreement. Under the agreement, DSI provides the Company with management, operational and administrative services and is entitled to receive a management fee equal to \$2,500 per month during the term of the agreement. In addition, DSI shall receive an incentive fee during the term of the agreement and for five years following the termination of the agreement. The incentive fee is payable when the Company's calendar year adjusted net income, as defined, equals or exceeds \$120,000. The fee ranges from 10% of adjusted net income at \$120,000 to 17.5% when adjusted net income exceeds \$160,000. No incentive fee is due when adjusted net income is less than \$120,000 in any calendar year. The incentive fee is calculated on a calendar year basis and, if any, is payable each February 15<sup>th</sup>. Under this agreement, DSI earned \$30,000 in management fees and \$15,537 in incentive fees for the year ended December 31, 2001.

The Company reimburses Duncan-Smith Co., (DSC), DSI's Parent, and a related party, for certain costs at pre-determined rates. The Company reimbursed DSC \$6,426 for rent, parking, postage, supplies and other expenses during 2001.

The Company also paid \$64,154 in commissions to DSC during 2001.

The Company entered into a cancelable agreement effective December 1, 2001 with a related party under which the related party will provide the Company with office space and administrative and accounting services. The agreement calls for rent payments ranging from \$929 to \$1,060 per month over the seven-year term of the agreement. The agreement also calls for payment of \$3,000 per month for administrative and accounting services.

The Parent waived income tax expense of approximately \$46,000 for the year ended December 31, 2001.

**Schedule I**

**PRESIDIO FINANCIAL SERVICES, INC.**  
**Computation of Net Capital and Aggregate Indebtedness**  
**Pursuant to Rule 15c3-1**  
**December 31, 2001**

Total stockholder's equity qualified for net capital	\$ 226,870
Deductions and/or charges	
Non-allowable assets:	
Receivable from Parent	7,442
Prepaid expenses	13,111
Non-marketable securities	16,300
Property and equipment, net	<u>11,755</u>
Total deductions and/or charges	<u>48,608</u>
Net capital before haircuts	<u>178,262</u>
Haircuts on securities:	
Cash equivalents	<u>3,344</u>
Net Capital	<u><u>\$ 174,918</u></u>
Aggregate indebtedness	
Accounts payable and accrued expenses	<u>\$ 63,943</u>
Total aggregate indebtedness	<u><u>\$ 63,943</u></u>
Computation of basic net capital requirement	
Minimum net capital required (greater of \$100,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 100,000</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 74,918</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>.37 to 1</u></u>

Schedule II

PRESIDIO FINANCIAL SERVICES, INC.  
Reconciliation of the Computation of Net Capital  
with that of the Registrant as  
Filed in Part IIA of Form X-17a-5  
As of December 31, 2001

**Net Capital**

Net capital as reported by Registrant in Part IIA of Form X-17a-5 as of December 31, 2001 (unaudited)	\$ 182,360
Audit adjustments:	
Increase in non-allowable assets	<u>(7,442)</u>
Net capital as computed on Schedule I	<u>\$ 174,918</u>

PHILLIP V. GEORGE, PLLC  
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL**

Board of Directors  
Presidio Financial Services, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Presidio Financial Services, Inc. (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 aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. 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
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.

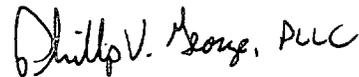
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs 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 recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. 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 indicate 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 use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, 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.



PHILLIP V. GEORGE, PLLC

Irving, Texas  
January 25, 2002