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



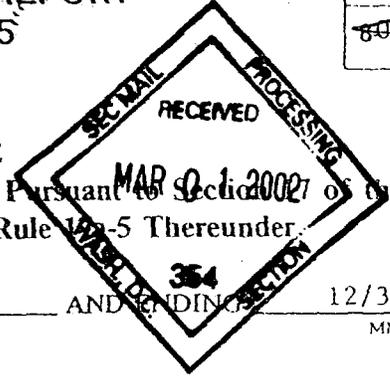
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
~~801-50648~~

8-31155

FACING PAGE

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



3/5/02 FU

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:  
QA3 Financial Corp

EXEMPTION TO THE REQUIREMENT THAT THE ANNUAL REPORT BE COVERED BY THE OPINION OF AN INDEPENDENT PUBLIC ACCOUNTANT  
2008 JAN 10  
2008 SEP 14 10 30 AM '08

OFFICIAL USE ONLY  
FIRM ID. NO.

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

One Valmont Plaza, Fourth Floor

(No. and Street)

Omaha

Nebraska

68154

(City)

(State)

(Zip Code)

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

Ted R. Grennan

(402)964-3834

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Lutz & Company, PC

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

Miracle Hills Drive

Omaha

Nebraska

68154

(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 18 2002

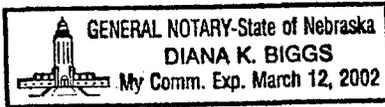
THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

3/15/02 S

## OATH OR AFFIRMATION

I, Ted R. Grennan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of QA3 Financial Corp, 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:



Ted R. Grennan  
Signature

Chief Financial Officer

Title

Diana K Biggs  
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 Cash Flow.
- (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).

**QA3 FINANCIAL CORP.**  
(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL  
CONTINUUM, L.L.C.)

FINANCIAL STATEMENTS AND  
INDEPENDENT ACCOUNTANTS' AUDIT REPORT

DECEMBER 31, 2001

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**QA3 FINANCIAL CORP.**  
(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL CONTINUUM, L.L.C.)

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Note: The Company claims exemption to filing the Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements under Rule 15c3-3 of the Securities and Exchange Commission pursuant to SEC Rule 15c3-3(k)(2)(B).

# LUTZ & COMPANY, PC

## ACCOUNTANTS AND CONSULTANTS

11837 MIRACLE HILLS DRIVE, SUITE 100  
OMAHA, NEBRASKA 68154-4404  
TEL: 402-496-8800 FAX: 402-496-2711  
E-MAIL: accountants@lutzcpa.com

## SHAREHOLDERS

JAMES D. HONZ	PATRICK C. KNOWLES
GARY K. WITT	SANDRA A. LANE
RONALD J. NEBBIA	SHAWN A. WEDERQUIST
GREGORY J. BOULAY	STEVEN P. KENNEY
MARK F. DUREN	RICHARD M. HOMAN
W. REED SAMSON	WILLIAM W. KENEDY
JEFFREY L. SNYDER	STEPHEN C. IRLBECK

## INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors and Stockholder  
QA3 Financial Corp.  
Omaha, Nebraska

We have audited the accompanying statement of financial condition of QA3 Financial Corp., an Iowa corporation and wholly owned subsidiary of Financial Continuum, L.L.C., as of December 31, 2001, and the related statements of operations, changes in stockholder's 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 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 QA3 Financial Corp. 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.

*Lutz & Company, PC*

Omaha, Nebraska  
February 1, 2002

**QA3 FINANCIAL CORP.****(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL CONTINUUM, L.L.C.)****STATEMENT OF FINANCIAL CONDITION****DECEMBER 31, 2001****ASSETS**

Cash and Cash Equivalents	\$ 184,858
Concessions Receivable	417,961
Other Receivables	9,637
Prepaid Expenses	45,169
Lines of Credit Receivable (Note 2)	110,610
Deposits with Clearing Organizations	75,048
Computer Software and Equipment, Net of Accumulated Depreciation of \$53,359	28,278
<b>TOTAL ASSETS</b>	<b>\$ 871,561</b>

**LIABILITIES**

Accounts Payable	\$ 17,323
Fees Payable to Clearing Organizations	2,489
Commissions Payable	405,858
Accrued Expenses	16,348
<b>Total Liabilities</b>	<b>442,018</b>

**CONTINGENCIES (Notes 3 and 6)****STOCKHOLDER'S EQUITY**

<b>COMMON STOCK (Note 6)</b>	
\$1 Par Value, Authorized 100,000 Shares	
Issued and Outstanding, 6,000 Shares	6,000
<b>PAID IN CAPITAL</b>	1,685,608
<b>ACCUMULATED DEFICIT</b>	(1,262,065)
<b>Total Stockholder's Equity</b>	<b>429,543</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 871,561</b>

**QA3 FINANCIAL CORP.****(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL CONTINUUM, L.L.C.)****STATEMENT OF OPERATIONS****FOR THE YEAR ENDED DECEMBER 31, 2001****REVENUES**

Concessions	\$3,757,118
Other Operating Revenues	292,001
Interest Income	9,920
Other Income	24,482
<b>Total Revenues</b>	<b>4,083,521</b>

**EXPENSES (Note 6)**

Salaries and Related Expenses	450,350
Brokerage Fees	35,463
Commissions	3,513,367
Communication and Data Processing	93,346
Depreciation	20,673
Interest Expense	377
Miscellaneous	68,509
Occupancy	89,411
Office Expense	65,803
Professional Fees	43,377
Recruiting	183,712
Regulatory Fees	74,921
<b>Total Expenses</b>	<b>4,639,309</b>

Loss before Provision for Income Taxes (555,788)

**PROVISION FOR INCOME TAXES (Note 4)**

**NET LOSS** \$ (555,788)

See Notes to Financial Statements.

**QA3 FINANCIAL CORP.**

(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL CONTINUUM, L.L.C.)

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY****FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>--Common Stock --</b>		<b>Paid In</b>	<b>Accumulated</b>	<b>Total</b>
	<b><u>Shares</u></b>	<b><u>Par Value</u></b>	<b><u>Capital</u></b>	<b><u>Deficit</u></b>	<b><u>Stockholder's Equity</u></b>
<b>BALANCES, DECEMBER 31, 2000</b>	6,000	\$6,000	\$1,000,608	\$ (706,277)	\$ 300,331
Stockholder Contributions			685,000		685,000
Net Loss				(555,788)	(555,788)
<b>BALANCES, DECEMBER 31, 2001</b>	<b>6,000</b>	<b>\$6,000</b>	<b>\$1,685,608</b>	<b>\$(1,262,065)</b>	<b>\$ 429,543</b>

See Notes to Financial Statements.

**QA3 FINANCIAL CORP.**

(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL CONTINUUM, L.L.C.)

**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2001****CASH FLOWS FROM OPERATING ACTIVITIES**

Net Loss	\$(555,788)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities	
Depreciation	20,673
Lines of Credit Receivable Forgiven	59,169
Changes in Operating Assets and Liabilities	
Increase in Concessions Receivable	(399,048)
Increase in Other Receivables	(8,744)
Increase in Prepaid Expenses	(23,402)
Decrease in Accounts Payable	(11,475)
Increase in Fees Payable to Clearing Organizations	300
Increase in Accrued Expenses	16,348
Increase in Commissions Payable	375,574
Net Cash Used in Operating Activities	(526,393)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Computer Software and Equipment	(10,728)
Advances on Lines of Credit Receivable	(110,000)
Increase in Deposits with Clearing Organizations	(50,048)
Net Cash Used in Investing Activities	(170,776)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Stockholder Contributions	685,000
Net Decrease in Cash and Cash Equivalents	(12,169)
Cash and Cash Equivalents, Beginning of Year	197,027
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 184,858</b>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Interest Paid	\$ 377
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# QA3 FINANCIAL CORP.

(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL CONTINUUM, L.L.C.)

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

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### 1. Summary of Significant Accounting Policies

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A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is set forth below.

#### Organization and

#### Nature of Business

QA3 Financial Corp. (the "Company"), formerly Investors First Securities, Ltd., is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers ("NASD"). The Company is an Iowa corporation that is a wholly owned subsidiary of Financial Continuum, L.L.C. ("Parent").

#### Use of Estimates

The preparation of financial statements 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 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 and Cash

#### Equivalents

The Company's policy is to invest excess cash in income-producing investments. Cash equivalents consist of temporary cash investments with maturities of three months or less. For purposes of the statement of cash flows, the Company includes these amounts in cash and cash equivalents.

#### Concessions

#### Receivable

The Company's concessions receivable consists principally of concessions receivable from mutual fund companies, clearing organizations and others. Management believes all concessions receivable are collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

#### Concentration of

#### Credit Risk

The Company has several financial instruments that potentially subject the Company to credit risk. The Company maintains bank accounts in which the balances sometimes exceed federally insured limits. The Company's concessions and other receivables and its forgivable lines of credit receivable are also subject to credit risk.

The Company is an introducing broker-dealer firm, which processes certain orders through mutual fund companies and clears stock related orders through clearing organizations. The Company may be exposed to risk in the event that a mutual fund company or clearing organization would not fulfill its obligations. It is the Company's policy to review, as necessary, the credit standing of the mutual fund companies and clearing organizations.

# QA3 FINANCIAL CORP.

(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL CONTINUUM, L.L.C.)

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

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### 1. Summary of Significant Accounting Policies - Continued

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#### Computer Software and Equipment

Computer software and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from disposals are recognized in the year of disposal. Depreciation is computed using both straight-line and accelerated methods over the estimated useful life of computer software and equipment ranging from 3 to 5 years.

**Revenue Recognition** Concessions and other operating revenues and the related commissions and brokerage fees expense are recorded on a trade-date basis as the security transactions occur at the mutual fund companies and clearing organizations.

**Income Taxes** Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

### 2. Lines of Credit Receivable

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In September 2000 and January 2001, the Company entered into two year forgivable line of credit receivable agreements with two financial services companies totaling \$225,000. These forgivable lines of credit receivable grant these companies the right to make interest free advances to their associates. The advances are forgiven at a rate of \$.10 for every dollar of gross dealer concession and/or fee income that the associates process through the Company. At the end of the two year period, any remaining outstanding balances become due. These lines of credit receivable are collateralized by the personal guarantees of the principal owners of the two financial services companies. At December 31, 2001, a total of \$170,000 has been advanced on these lines of credit receivable and \$59,390 has been forgiven.

### 3. Net Capital Requirements

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The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the Company to maintain net capital of at least the greater of 6 2/3% of aggregate indebtedness or \$50,000. At December 31, 2001, the Company's net capital, as defined, was \$190,229, which was \$140,229 in excess of its required net capital of \$50,000.

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## **QA3 FINANCIAL CORP.**

(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL CONTINUUM, L.L.C.)

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2001**

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#### **4. Provision for Income Taxes**

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The Company has available at December 31, 2001, unused operating losses of approximately \$1,222,000, which may be applied against future taxable income expiring in various years from 2002 to 2021. A net deferred income tax asset in the amount of approximately \$499,000 attributable principally to net operating loss carryforwards has been offset by a valuation allowance in the same amount.

#### **5. 401(k) Savings Plan**

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The Company is a member of its Parent's group contributory employee 401(k) savings plan, which includes substantially all employees of the Company. Contributions to the plan are discretionary. No contributions were made by the Company to the plan during the year ended December 31, 2001.

#### **6. Related Party Transactions**

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The Company has an expense sharing agreement with its Parent for office space, employees and various operating expenses. Under this agreement, the Company is charged an allocation for its portion of the expenses, which amounted to approximately \$671,000 during the year ended December 31, 2001.

The Company's common stock is pledged as collateral against long-term debt of its Parent.

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**SUPPLEMENTAL INFORMATION**

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# LUTZ & COMPANY, PC

## ACCOUNTANTS AND CONSULTANTS

11837 MIRACLE HILLS DRIVE, SUITE 100  
OMAHA, NEBRASKA 68154-4404  
TEL: 402-496-8800 FAX: 402-496-2711  
E-MAIL: accountants@lutzcpa.com

## SHAREHOLDERS

JAMES D. HONZ	PATRICK C. KNOWLES
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W. REED SAMSON	WILLIAM W. KENEDY
JEFFREY L. SNYDER	STEPHEN C. IRLBECK

## INDEPENDENT ACCOUNTANTS' AUDIT REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors and Stockholder  
QA3 Financial Corp.  
Omaha, Nebraska

We have audited the accompanying financial statements of QA3 Financial Corp., a wholly owned subsidiary of Financial Continuum, L.L.C., as of and for the year ended December 31, 2001, and have issued our report thereon dated February 1, 2002. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented hereafter 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.

*Lutz & Company, PC*

Omaha, Nebraska  
February 1, 2002

**QA3 FINANCIAL CORP.**

(A WHOLLY OWNED SUBSIDIARY OF FINANCIAL CONTINUUM, L.L.C.)

**COMPUTATION NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION****DECEMBER 31, 2001****NET CAPITAL**

<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>\$429,543</b>
<b>NONALLOWABLE ASSETS</b>	
Concessions Receivable	45,620
Other Receivables	9,637
Prepaid Expenses	45,169
Lines of Credit Receivable	110,610
Computer Software and Equipment, Net	28,278
Total Nonallowable Assets	239,314
<b>NET CAPITAL</b>	<b>\$190,229</b>

**AGGREGATE INDEBTNESS**

Accounts Payable	\$ 17,323
Fees Payable to Clearing Organizations	2,489
Commissions Payable, Net of Non-Includable Commissions Payable of \$5,196	400,662
Accrued Expenses	16,348

**AGGREGATE INDEBTEDNESS** **\$436,822****CAPITAL REQUIREMENTS**

Net Capital	\$190,229
Greater of 6 2/3% of Aggregate Indebtedness or Minimum Required	50,000

**NET CAPITAL EXCEEDING REQUIREMENTS** **\$140,229****EXCESS NET CAPITAL AT 1000 PERCENT** **\$146,547****RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL** **2.30 to 1****Net Capital as Reported in Company's Part II (Unaudited) FOCUS Report** **\$263,985**

Audit Adjustment to Record Additional Commissions Payable (73,756)

**Net Capital Under Rule 15c3-1 of Securities and Exchange Commission** **\$190,229**

See Independent Accountants' Audit Report on Supplemental Information.

# LUTZ & COMPANY, PC

## ACCOUNTANTS AND CONSULTANTS

11837 MIRACLE HILLS DRIVE, SUITE 100  
OMAHA, NEBRASKA 68154-4404  
TEL: 402-496-8800 FAX: 402-496-2711  
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## SHAREHOLDERS

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MARK F. DUREN	RICHARD M. HOMAN
W. REED SAMSON	WILLIAM W. KENEDY
JEFFREY L. SNYDER	STEPHEN C. IRLBECK

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL

Board of Directors and Stockholder  
QA3 Financial Corp.  
Omaha, Nebraska

In planning and performing our audit of the financial statements and supplemental schedule of QA3 Financial Corp., an Iowa corporation and wholly owned subsidiary of Financial Continuum, L.L.C., 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 the preparation of financial statements in accordance 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 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 the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers 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.

*Hertz & Company, PC*

Omaha, Nebraska  
February 1, 2002