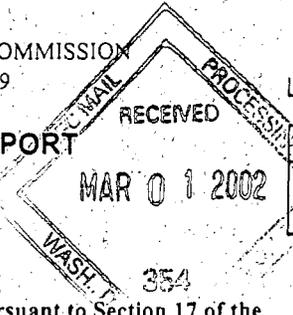


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



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



SEC FILE NUMBER  
8-50521

3/5/02 EV

FACING PAGE

354

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 1/1/2001 AND ENDING 12/31/2001

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER

Peregrine Financials & Securities, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

190 South LaSalle, Street, 7th Floor  
(No. and Street)

Chicago  
(City)

Illinois  
(State)

60606  
(Zip Code)

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

Ramona Thomas  
(Name)

(312) 775-3554  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

DiMaggio, Rosario & Veraja, LLC  
(Name - if individual state last, first, middle names)

567 James Court  
(Street)

Glendale Heights  
(City)

IL  
(State)

60139  
(Zip Code)

CHECK ONE

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

**PROCESSED**

**MAR 15 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).

3/14/02 S.S

OATH OR AFFIRMATION

I, THOMAS E. PEARSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Peregrine Financials & Securities, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

J.E. Pearson  
Signature

CHIEF FINANCIAL OFFICER  
Title

2-27-02  
Date

Official Seal  
CHRISTINE G. PUTRIM  
Notary Public - State of Illinois  
My Commission Expires April 3, 2004

Christine G. Putrim

Notary Public

**DIMAGGIO, ROSARIO & VERAJA, LLC**  
Certified Public Accountants & Business Consultants

567 James Court  
Glendale Heights, IL 60139-3206  
Phone (630) 790-4269 • Fax: (630) 942-8269

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Peregrine Financials & Securities, Inc.  
190 South LaSalle Street, 7<sup>th</sup> Floor  
Chicago, Illinois 60606

We have audited the accompanying statement of financial condition of Peregrine Financials & Securities, Inc. (an Iowa Corporation) as of December 31, 2001 and the related statements of income, changes in ownership equity, changes in liabilities subordinated to claims of general creditors, and cash flows year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 condition of Peregrine Financials & Securities, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the period ended in conformity with U. S. 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 on pages 14 through 18 is presented for the 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 Commission. 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.

*Dimaggio, Rosario & Veraja, LLC*  
Glendale Heights, Illinois  
February 16, 2002

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## FORM X-17A-5

### Part IIA

12

(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)

17

3) Rule 17a-11

18

4) Special request by designated examining authority

19

5) Other

26

NAME OF BROKER-DEALER

PEREGRINE FINANCIALS & SECURITIES, INC.

13

SEC FILE NO

8-50521

14

FIRM ID NO

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

190 SOUTH LASALLE STREET, 7TH FLOOR

20

43992

15

FOR PERIOD BEGINNING (MM/DD/YY)

(No. and Street)

1/1/2001

24

CHICAGO

(City)

21

IL

(State)

22

60606

(Zip Code)

23

AND ENDING (MM/DD/YY)

12/31/2001

25

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

RAMONA THOMAS

30

(Area Code)---Telephone No.

(312) 775-3554

31

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

32

OFFICIAL USE

33

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNT?

YES

40

NO

41

CHECK HERE IF RESPONDENT IS FILING AN AUDIT REPORT?

42

The accompanying notes are an integral  
part of these financial statements

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (if individual, state last, first, middle name)

DIMAGGIO, ROSARIO & VERAJA, LLC

70

ADDRESS

567 James Court

71

Glendale Heights

72

IL

73

60139

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States  
or any of its possessions

77

FOR SEC USE

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

WORK LOCATION	REPORT DATE	DOC. SEQ. NO.	CARD				
50	51	52	53				

SEC 1696 2 of 16

The accompanying notes are an integral part of these financial statements

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** PEREGRINE FINANCIALS & SECURITIES, INC.

100

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

As of (MMDDYY): 12/31/2001 99

SEC FILE NO. 8-50521 98

Consolidated  198

Unconsolidated  199

**ASSETS**

**Allowable**

**Non-Allowable**

**Total**

1. Cash	\$	139,223	200		\$	139,223	750		
2. Receivables from brokers or dealers:									
A. Clearance account		0	295						
B. Other		263,408	300	\$	4,734	550	268,142		
3. Receivables from non-customers		0	355		138,691	600	138,691		
4. Securities and spot commodities owned, at market value:									
A. Exempted securities		0	418						
B. Debt securities		0	419						
C. Options		0	420						
D. Other securities		0	424						
E. Spot commodities		0	430				0		
5. Securities and/or other investments not readily marketable:									
A. At cost	\$	0	130						
B. At estimated fair value		0	440		0	610	0		
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:									
A. Exempted securities	\$	0	150						
B. Other securities	\$	0	160						
7. Secured demand notes:									
market value of collateral:									
A. Exempted securities	\$	0	170						
B. Other securities	\$	0	180						
8. Memberships in exchanges:									
A. Owned, at market	\$	0	190						
B. Owned, at cost					0	650			
C. Contributed for use of the company, at market value					0	660	0		
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		0	480		0	670	0		
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		0	490		14,390	680	14,390		
11. Other assets		0	535		250,630	735	250,630		
12. TOTAL ASSETS	\$	402,631	540	\$	408,445	740	\$	811,076	940

The accompanying notes are an integral part of these financial statements

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** PEREGRINE FINANCIALS & SECURITIES, INC.

**as of:** December 31, 2001

**STATEMENT OF FINANCIAL CONDITION**

**LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>	<u>A.I. Liabilities *</u>	<u>Non-A.I. Liabilities *</u>	<u>Total</u>
13. Bank loans payable	\$ 0	\$ 0	\$ 0
14. Payable to brokers or dealers:			
A. Clearance account	0	0	0
B. Other	141,299	0	141,299
15. Payable to non customers:	0	0	0
16. Securities sold not yet purchased at market value		0	0
17. Accounts payable, accrued liabilities, expenses and other	133,278	0	133,278
18. Notes and mortgages payable:			
A. Unsecured	0	0	0
B. Secured	0	0	0
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings		0	0
1. from outsiders\$	0	0	0
2. Includes equity subordination(15c3-1 (d)) of \$	0	0	0
B. Securities borrowings, at market value from outsiders \$	0	0	0
C. Pursuant to secured demand note collateral agreements		0	0
1. from outsiders\$	0	0	0
2. Includes equity subordination(15c3-1 (d)) of \$	0	0	0
D. Exchange memberships contributed for use of company, at market value		0	0
E. Accounts and other borrowings not not qualified for net capital purposes	0	0	0
20. TOTAL LIABILITIES	274,577	0	274,577

**Ownership Equity**

21. Sole proprietorship		0	0
22. Partnership (limited partners)	0		0
23. Corporation:			
A. Preferred stock			0
B. Common stock			825,000
C. Additional paid-in capital			0
D. Retained earnings			(288,501)
E. Total			536,499
F. Less capital stock in treasury			0
24. TOTAL OWNERSHIP EQUITY			536,499
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY			811,076

The accompanying notes are an integral  
part of these financial statements

## PART II-FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER:

PEREGRINE FINANCIALS &amp; SECURITIES, INC.

For the period from 01/01/2001 3932 to 12/31/2001 3933

Number of months included in this statement 12 3931

## STATEMENT OF INCOME (LOSS)

## REVENUE

1. Commissions			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$	849,026	3935
b. Commissions on listed option transactions		375,520	3938
c. All other securities commissions		1,859,064	3939
d. Total securities commissions		3,083,610	3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange		0	3945
b. From all other trading		0	3949
c. Total gain (loss)		0	3950
3. Gains or losses on firm securities investment accounts		0	3952
4. Profit or (loss) from underwriting and selling groups		0	3955
5. Revenue from sale of investment company shares		0	3970
6. Commodities revenue		0	3990
7. Fees for account supervision, investment advisory and administrative services		0	3975
8. Other revenue		346,996	3995
9. Total revenue	\$	3,430,606	4030

## EXPENSES

10. Salaries and other employment costs for general partners, and voting stockholder officers	\$	0	4120
11. Other employee compensation and benefits		481,340	4115
12. Commissions paid to other broker-dealers		2,745,284	4140
13. Interest expense		0	4075
a. Includes interest on accounts subject to subordination agreements		0	4070
14. Regulatory fees and expenses		0	4195
15. Other expenses		382,073	4100
16. Total expenses	\$	3,608,697	4200

## NET INCOME

17. Income (loss) before Federal income taxes and items below (Item 9 less item 16)	\$	(178,091)	4210
18. Provision for Federal income taxes (for parent only)		0	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above		0	4222
a. After Federal income taxes of	\$	0	4238
20. Extraordinary gains (losses)		0	4224
a. After Federal income taxes of		0	4239
21. Cumulative effect of changes in accounting principles		0	4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$	(178,091)	4230

## MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$	(72,916)	4211
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The accompanying notes are an integral  
part of these financial statements.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT**  
**Part IIA**

**BROKER OR DEALER:** PEREGRINE FINANCIALS & SECURITIES, INC.

For the period from 1/1/2001 to 12/31/2001

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY**  
**(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1.	Balance, beginning of period			\$ 209,590	4240
	A. Net income (loss)			(178,091)	4250
	B. Additions (Includes non-conforming capital of	\$ 0	4262	505,000	4260
	C. Deductions (Includes non-conforming capital of	\$ 0	4272	0	4270
2.	Balance, end of period (From item 1800)			\$ 536,499	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED**  
**TO CLAIMS OF GENERAL CREDITORS**

3.	Balance, beginning of period			\$ 0	4300
	A. Increases			0	4310
	B. Decreases			0	4320
4.	Balance, end of period (From item 3520)			\$ 0	4330

The accompanying notes are an integral part of these financial statements

PEREGRINE FINANCIALS SECURITIES, INC.  
(an Iowa corporation)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss)	\$	(178,091)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization		1,838
(Increase)/decrease in assets		
Receivables from brokers or dealers (allowable)		50,791
Receivable from NFS		(4,734)
Receivables from noncustomers		(138,691)
Other assets		(91,997)
Increase/(decrease) in liabilities		
Payable to brokers or dealers		77,455
Payable to noncustomers		(198,866)
Accounts payable and accrued liabilities		<u>(482,295)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and fixtures		(11,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of stock		<u>505,000</u>
NET INCREASE IN CASH		11,202
CASH AT BEGINNING OF PERIOD		<u>128,021</u>
CASH AT END OF PERIOD	\$	<u><u>139,223</u></u>

The accompanying notes are an integral part of these financial statements

**PEREGRINE FINANCIALS & SECURITIES, INC.**  
**(an Iowa corporation)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2001**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

Peregrine Financials and Securities, Inc. (The Corporation) began doing business as a registered broker-dealer in securities with the Securities and Exchange Commission in December 1998. In this capacity, it executes agency transactions for its customers.

In the normal course of its business, the Corporation enters into financial transactions where the risk of potential loss due to change in market (market risk) or failure of the other party to the transaction to perform (credit risk) exceeds the amounts recorded for the transaction. The nature of these risks is described in the footnote describing the transaction.

The Corporation's policy is to continuously monitor its exposure to market and counter party risk through the use of a variety of financial position and credit exposure reporting and control procedures. In addition, the Corporation has a policy of reviewing the credit standing of each broker/dealer, clearing organization, customer, and/or other counter party with which it conducts business.

The Corporation introduces its customer transactions to a broker with whom it has a correspondent relationship for execution and clearance in relation for execution and clearance in accordance with the terms of a clearance agreement. In connection therewith, the Corporation has agreed to indemnify its clearing broker for losses that the clearing broker may sustain related to the Corporation's customers. Securities purchased by customers in connection with those transactions are held by the clearing broker as collateral for the amounts owed.

At December 31, 2001, the receivable from clearing broker reflected on the statement of financial condition was substantially in cash.

**Basis of Accounting**

The Corporation's financial statements are prepared on the accrual basis of accounting, which conforms to U.S. generally accept accounting principles.

**Accounting Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

The Corporation maintains its cash in bank deposits, which, at times, may exceed federally insured limits of \$100,000. At December 31, 2001, this excess amounted to \$39,223. The Corporation believes it is not exposed to any significant credit risk on cash.

### Accounts Receivable

Accounts are charged to bad debt expense, as they are deemed uncollectible based upon a periodic review of the accounts. At December 31, 2001, no allowance for uncollectible accounts was considered necessary.

### Advertising and promotion

The Corporation expenses advertising costs as they are incurred. During the year ended December 31, 2001, these costs amounted to \$ 43,132.

### Property and Equipment

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed over the straight-line method, which conforms to generally accepted accounting principles. The useful lives of property and equipment for purposes of computing depreciation are as follows:

Furniture and fixtures	7 years
Software	3 years
Equipment	3-5 years

Depreciation and amortization expense of property and equipment charged to operations was \$1,838 for the year ended December 31, 2001. The major classes of fixed assets are as follows:

<u>Asset Class</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Furniture and fixtures	\$ 2,840	\$ 846
Software	5,164	1,668
Equipment	9,309	409
Total	<u>\$17,313</u>	<u>\$2,923</u>

### **NOTE 2 – CAPITAL STOCK**

In June 2001, the shareholders approved the issuance of 215,000 additional shares of stock to the Corporation's majority shareholder for a total price of \$215,000.

An additional 29,000 shares were issued as detailed in Note 3 below.

The authorized, issued, and outstanding shares of capital stock at December 31, 2001, were as follows:

Common stock, no par value: authorized 1,000,000 shares, 564,000 shares issued and outstanding.

### **NOTE 3– RELATED PARTY TRANSACTIONS**

PFG, which shares common ownership with the Corporation, provides facilities management services for the Corporation. These fees include rent, accounting and cash management services. The Corporation reimburses PFG on a regular basis. The total of these charges expensed during the year ended December 31, 2001 was \$626,854, of which, \$505,000 was paid during the year then ended, with a payable at year-end of \$121,854.

In October 2001, the shareholders approved the issuance of 29,000 shares of additional stock to a corporation which is wholly owned by the Corporation's majority shareholder in exchange for the release of \$290,000 in debt.

In addition, during the year ended December 31, 2001, the Corporation made the decision to forgive \$10,636 due from a foreign corporation which is owned in the majority by the Corporation's majority shareholder.

#### **NOTE 4 – NET CAPITAL REQUIREMENTS**

At December 31, 2001, the Corporation's net capital as computed pursuant to the rules of the National Securities Dealers Association was \$121,853 which was \$21,853 more than the minimum net capital requirement of \$100,000.

#### **NOTE 5 – INCOME TAXES**

The Corporation has net loss carry forwards for tax purposes which, if not used against taxable income, expire in varying amounts through 2020. The Corporation accounts for income taxes in accordance with Statement of financial Accounting Standards No. 109 Accounting for income taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax law and rates applicable to the periods in which the differences are expected to affect taxable income. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

As of December 31, 2001, the approximate income tax benefit arising from the net loss carry forwards is computed as follows:

Tax benefit for the year 2001	\$ 80,588
Tax benefit from prior years	<u>64,412</u>
Total tax benefit carry forward	<u>\$ 145,000</u>

For the year ended December 31, 2001, the deferred tax liability arising primarily from depreciation expense differences was not included as it was deemed to be insignificant.

#### **NOTE 6 – CONTINGENCIES**

The Corporation is involved in various legal actions arising in the normal course of business. Management cannot predict the outcome of these legal actions or estimate the amount of any loss that may result. However, Management believes that losses resulting from these matters, if any, would not have a material effect on the financial position of the Corporation. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statements.

## **SUPPLEMENTARY INFORMATION**

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT**  
**Part IIA**

**BROKER OR DEALER:** PEREGRINE FINANCIALS & SECURITIES, INC.

**as of:** December 31, 2001

**COMPUTATION OF NET CAPITAL**

1. Total ownership equity from Statement of Financial Condition			\$	536,499	3480
2. Deduct ownership equity not allowable for net capital				0	3490
3. Total ownership equity qualified for Net capital				536,499	3500
4. Add:					
A. Liabilities subordinated to claims of general creditors allowable in computation in net capital				0	3520
B. Other (deductions) or allowable credits (List)				0	3525
5. Total capital and allowable subordinated liabilities			\$	536,499	3530
6. Deductions and/or charges:					
A. Total non-allowable assets from Statement of Financial Condition (Notes B and C)	\$	408,445			3540
B. Secured demand note deficiency		0			3590
C. Commodity futures contracts and spot commodities proprietary capital charges		0			3600
D. Other deductions and/or charges		0			3610
				(408,445)	3620
7. Other additions and/or allowable credits (List)				0	3630
8. Net Capital before haircuts on securities positions			\$	128,054	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1 (f)):					
A. Contractual securities commitments		0			3660
B. Subordinated securities borrowings		0			3670
C. Trading and investment securities:					
1. Exempted securities		0			3735
2. Debt securities		0			3733
3. Options		0			3730
4. Other securities		0			3734
D. Undue concentration		0			3650
E. Other (list)		6,201			3736
				(6,201)	3740
10. Net Capital			\$	121,853	3750

Box 3736 Other Haircuts

Haircut on money market fund

\$ \$6,201

**NOTE: There were no material differences between the unaudited focus report and the audited financial statements in the computation of net capital.**

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** PEREGRINE FINANCIALS & SECURITIES, INC.

**as of:** December 31, 2001

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19)	\$	27,457	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	100,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	100,000	3760
14. Excess net capital (line 10 less 13)	\$	21,853	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	94,396	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition	\$	0	3790
17. Add:			
A. Drafts for immediate credit	\$	0	3800
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	0	3810
C. Other unrecorded amounts (List)	\$	0	3820
	\$	0	3830
19. Total aggregate indebtedness	\$	274,577	3840
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	%	225.00	3850
21. Percentage of debt to debt-equity total computed in accordance with rule 15c3-1 (d)	%	.00	3860

**COMPUTATION OF ALTERNATIVE NET CAPITAL REQUIREMENT**

**Part B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	0	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	0	3880
24. Net capital requirement (greater of line 22 or 23)	\$	0	3760
25. Excess net capital (line 10 less line 24)	\$	0	3910
26. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000	\$	0	3920

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness of 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER:** PEREGRINE FINANCIALS & SECURITIES, INC.

**as of:** December 31, 2001

**Exemptive Provision Under Rule 15c3-3**

25. Identify below the section upon which an exemption from Rule 15c3-3 is claimed:

A. (k) (1) - \$2,500 capital category as per Rule 15c3-1	0	4550
B. (k) (2)(A) - "Special Account for the exclusive Benefit of customers" maintained	0	4560
C. (k) (2) (B) - All customer transactions cleared through another broker-dealer on a fully disclosed basis Name of clearing firm ABN AMRO INCORPORATED <span style="border: 1px solid black; padding: 0 5px;">4335</span>	0	4570
D. (k) (3) - Exempted by order of the Commission	0	4580

Ownership Equity and Subordinate Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)
0 <span style="border: 1px solid black; padding: 0 5px;">4600</span>	<span style="border: 1px solid black; padding: 0 5px;">4601</span>	Out <span style="border: 1px solid black; padding: 0 5px;">4602</span>	0 <span style="border: 1px solid black; padding: 0 5px;">4603</span>	<span style="border: 1px solid black; padding: 0 5px;">4604</span>	No <span style="border: 1px solid black; padding: 0 5px;">4605</span>
			\$ <u>0</u> <span style="border: 1px solid black; padding: 0 5px;">4699*</span>		

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1 (c)(2)(iv), which could be required by the lender on demand or in less than six months

<b>WITHDRAWAL CODE:</b>	<b>DESCRIPTION</b>
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1 (c) (2) (iv) Liabilities

**DIMAGGIO, ROSARIO & VERAJA, LLC**  
Certified Public Accountants & Business Consultants

567 James Court  
Glendale Heights, IL 60139-3206  
Phone (630) 790-4269 • Fax: (630) 942-8269

**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL  
REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION RULE 17a-5**

To the Board of Directors  
Peregrine Financials & Securities, Inc.  
190 South LaSalle Street, 7<sup>th</sup> Floor  
Chicago, Illinois 60606

In planning and performing our audit of the financial statements of Peregrine Financials & Securities, Inc. for the year ending December 31, 2001, we considered its internal control structure, including procedures 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 the internal control structure.

We also made a study of the practices and procedures followed by the Corporation in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a) (11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Corporation in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements or prompt payment for securities under section 8 of regulation T of the Board of Governors of the federal Reserve System, because the Corporation does not carry security accounts for customers or perform custodial functions relating to customer activities.

The management of the Corporation is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 Commission's above mentioned objectives. Two of the objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets for which the Corporation has responsibility for 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 conformity with U.S. generally accepted accounting principles.

Peregrine Financials & Securities, Inc.

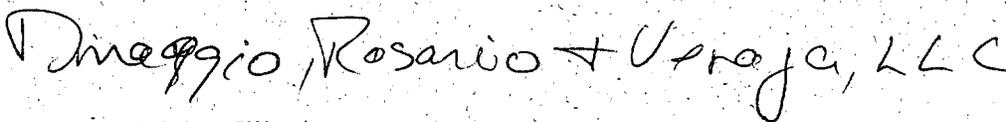
Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure that we consider to 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 Commission 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 Corporation's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 and should not be used for any other purpose.



Glendale Heights, Illinois

February 16, 2002

**PEREGRINE FINANCIALS & SECURITIES, INC.  
FORM X—17a—5 PART 11A  
OF THE  
SECURITIES AND EXCHANGE COMMISSION  
FOCUS REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**

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