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

06 2-27-02

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

SEC FILE NUMBER  
8-32327

**FACING PAGE**

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

REPORT FOR THE PERIOD BEGINNING 01/01/2001 AND ENDING 12/31/2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

NALICO EQUITY CORPORATION

OFFICIAL USE ONLY  
FIRM ID. NO.

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

Am Mühlhebel 9

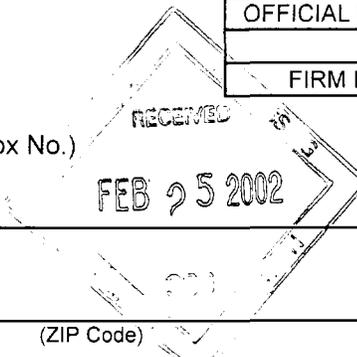
(No. and Street)

67685 Weilerbach, Germany

(City)

(State)

(ZIP Code)



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

Debra R. Stapleton

011-49-637-480-1187

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

TAXCO

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

Dorfstr. 26

(Address)

35625 Rechtenbach, Germany

(City)

(State)

(ZIP Code)

Handwritten signature/initials

**CHECK ONE:**

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

PROCESSED  
MAR 1 2002

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THOMSON  
FINANCIAL

\*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 basis for the exemption. See section 240.17a-5(e)(2).



FORM  
X-17A-5

**FOCUS REPORT**

Financial and Operational Combined Uniform Single Report)

Part IIA Annual 17a-5(a)

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

**COVER**

Is net capital requirement calculated using (B)asic or (A)lternative method?

**BASIC**

Broker-Dealer Name: **NALICO EQUITY CORPORATION**

Address: **AM MÜHLHEBEL 9  
67685 WEILERBACH, GERMANY**

SEC File Number: **8-32327**

Firm I.D. **015530**

Period Beginning: **01/01/01**

Period Ending: **31/12/01**

Name and telephone number of person to contact in regard to this report:

Contact Name: **DEBRA R. STAPLETON**

Contact Phone: **011-49-637-480-1187**

Name(s) of subsidiaries or affiliates consolidated in this report:

Name(s): Phone Number:

Does respondent carry its own customer accounts?

**NO**

Check here if respondent is filing an audited report

**YES**

# ASSETS

Consolidated [ ] or Unconsolidated [ X ]:

|                                                                                                                                                        | Allowable           | Nonallowable       | TOTAL               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|---------------------|
| 1 Cash:                                                                                                                                                | \$ 29,194.34        |                    | \$ 29,194.34        |
| (Checking Account) 28826.34                                                                                                                            |                     |                    |                     |
| (CRDRG Account) 208.00                                                                                                                                 |                     |                    |                     |
| (CRDRN Account) 160.00                                                                                                                                 |                     |                    |                     |
| 2 Receivables from Brokers & Dealers:                                                                                                                  |                     |                    |                     |
| A Clearance Account                                                                                                                                    |                     |                    |                     |
| B Other                                                                                                                                                |                     | \$ 5,662.07        | \$ 5,662.07         |
| (Dealer Reserve) 5615.41                                                                                                                               |                     |                    |                     |
| (Payables Below Minimum) 46.66                                                                                                                         |                     |                    |                     |
| 3 Receipts from non-customers:                                                                                                                         |                     |                    |                     |
| 4 Securities & spot commodities owned at market value:                                                                                                 |                     |                    |                     |
| A Exempted securities                                                                                                                                  |                     |                    |                     |
| B Debt securities                                                                                                                                      |                     |                    |                     |
| C Options                                                                                                                                              |                     |                    |                     |
| D Other securities                                                                                                                                     | \$ 7,016.27         |                    | \$ 7,016.27         |
| (OPP MMF) 6786.66                                                                                                                                      |                     |                    |                     |
| (PIO MMF) 229.61                                                                                                                                       |                     |                    |                     |
| E Spot commodities                                                                                                                                     |                     |                    |                     |
| 5 Securities owned not readily marketable:                                                                                                             |                     |                    |                     |
| A At cost                                                                                                                                              |                     |                    |                     |
| B At estimated fair value                                                                                                                              |                     |                    |                     |
| 6 Securities borrowed under subordination agreements & partners' individual & capital securities accounts, at market value:                            |                     |                    |                     |
| A Exempted securities                                                                                                                                  |                     |                    |                     |
| B Other                                                                                                                                                |                     |                    |                     |
| 7 Secured demand notes - market value of collateral:                                                                                                   |                     |                    |                     |
| A Exempted securities                                                                                                                                  |                     |                    |                     |
| B Other                                                                                                                                                |                     |                    |                     |
| 8 Memberships in Exchange:                                                                                                                             |                     |                    |                     |
| A Owned at market value                                                                                                                                |                     |                    |                     |
| B Owned at cost                                                                                                                                        |                     |                    |                     |
| C Contributed for use of company at market value                                                                                                       |                     |                    |                     |
| 9 Investment in & receivables from affiliates, subsidiarys & associated partnerships:                                                                  |                     |                    |                     |
| 10 Property, furniture, equipment, leasehold improvements & rights under lease agreements, at cost (net of accumulated depreciation and amortization): |                     |                    |                     |
| 11 Other Assets:                                                                                                                                       |                     |                    |                     |
| <b>12 TOTAL ASSETS:</b>                                                                                                                                | <b>\$ 36,210.61</b> | <b>\$ 5,662.07</b> | <b>\$ 41,872.68</b> |

# LIABILITIES

|                                                                               | Allowable | Nonallowable | TOTAL       |
|-------------------------------------------------------------------------------|-----------|--------------|-------------|
| 13 Bank loans payable:                                                        |           |              |             |
| 14 Payable to brokers/dealers:                                                |           |              |             |
| A Clearance Account                                                           |           |              |             |
| B Other                                                                       |           |              |             |
| 15 Payable to non-customers:                                                  |           |              |             |
| 16 Securities sold not yet purchased at market value:                         |           |              |             |
| 17 Accounts payable, accrued liabilities, expenses & other (unpaid expenses): |           |              |             |
| 18 Notes & mortgages payable:                                                 |           |              |             |
| A Unsecured                                                                   |           |              |             |
| B Secured                                                                     |           |              |             |
| 19 Liabilities subordinated to the claims of general creditors:               |           |              |             |
| A Cash borrowings                                                             |           |              |             |
| 1. From outsiders                                                             |           |              |             |
| 2. Includes equity subordination of                                           |           |              |             |
| B Securities borrowed at market                                               |           |              |             |
| From outsiders                                                                |           |              |             |
| C SDN Coll Agreements                                                         |           |              |             |
| 1. From outsiders                                                             |           |              |             |
| 2. Includes equity subordination of                                           |           |              |             |
| D Exch memberships contrib for use of co. at mkt                              |           |              |             |
| E Accts & other borrowings not qual for net cap                               |           |              |             |
| <b>20 TOTAL LIABILITIES:</b>                                                  |           |              | <b>\$ -</b> |

## OWNERSHIP EQUITY

|    |                                                |           |                  |
|----|------------------------------------------------|-----------|------------------|
| 21 | Sole Proprietorship:                           |           |                  |
| 22 | Partnership & limited partners:                |           |                  |
| 23 | Corporation:                                   |           |                  |
|    | A Preferred Stock                              |           |                  |
|    | B Common Stock                                 |           |                  |
|    | C Additional paid-in capital                   | \$        | 25,000.00        |
|    | D Retained earnings                            | \$        | 16,872.68        |
|    | E Total                                        | \$        | 41,872.68        |
|    | F Less treasury stock                          |           |                  |
| 24 | <b>TOTAL OWNERSHIP EQUITY:</b>                 | <b>\$</b> | <b>41,872.68</b> |
| 25 | <b>TOTAL LIABILITIES AND OWNERSHIP EQUITY:</b> | <b>\$</b> | <b>41,872.68</b> |

## STATEMENT OF INCOME (LOSS)

### REVENUE

|   |                                                                                                  |    |            |
|---|--------------------------------------------------------------------------------------------------|----|------------|
| 1 | Commissions:                                                                                     |    |            |
|   | a On listed equity securities executed on an exchange                                            |    |            |
|   | b On listed option transactions                                                                  |    |            |
|   | c On all other securities                                                                        |    |            |
|   | d Total securities commissions                                                                   |    |            |
| 2 | Gains or losses on firm trading accounts:                                                        |    |            |
|   | a From market making in options on National Security Exchange                                    |    |            |
|   | b From all other trading                                                                         |    |            |
|   | c Total gains and losses                                                                         |    |            |
| 3 | Gains or losses on firm investment accounts (Div Income):                                        | \$ | 222.91     |
| 4 | Profit or loss from underwriting or selling groups:                                              |    |            |
| 5 | Revenue from sale of investment company shares: (TOTAL Dealer Concessions+ Returned Commissions) | \$ | 238,114.56 |
| 6 | Commodities revenue:                                                                             |    |            |
| 7 | Fees for account supervision, investment advisory & administrative services:                     |    |            |
| 8 | Other revenue:                                                                                   | \$ | 907.00     |
|   | (CRD Reallocation) \$38.00                                                                       |    |            |
|   | (Fees) \$869.00                                                                                  |    |            |
| 9 | Total revenue:                                                                                   | \$ | 239,244.47 |

### EXPENSES

|    |                                                                                       |    |             |
|----|---------------------------------------------------------------------------------------|----|-------------|
| 10 | Salaries & other employment costs for general partners & voting stockholder officers: |    |             |
| 11 | Other employee compensation & benefits (TOTAL Commission):                            | \$ | 177,234.86  |
| 12 | Commissions paid to other broker-dealers:                                             |    |             |
| 13 | Interest expense:                                                                     |    |             |
|    | a Including interest on accounts subject to subordination agreement                   |    |             |
| 14 | Regulatory fees & expenses (TOTAL NASD Fees):                                         | \$ | 7,624.00    |
| 15 | Other expenses:                                                                       |    | \$49,005.70 |
|    | (TOTAL Business Expense) \$47,633.52                                                  |    |             |
|    | (Reserve Withdrawn) \$1,371.98                                                        |    |             |
|    | (Bank Error) \$0.20                                                                   |    |             |
| 16 | Total expenses:                                                                       | \$ | 233,864.56  |

### NET INCOME

|    |                                                                   |    |          |
|----|-------------------------------------------------------------------|----|----------|
| 17 | Income(loss) before Federal Taxes:                                | \$ | 5,379.91 |
| 18 | Provision for Federal Income Taxes (parent only):                 |    |          |
| 19 | Equity in earnings(losses) of unconsolidated subordinates:        |    |          |
|    | a After Federal income taxes of                                   |    |          |
| 20 | Extraordinary gains(losses):                                      |    |          |
|    | a After Federal income taxes of                                   |    |          |
| 21 | Cummulative effect of changes in accounting principle:            |    |          |
| 22 | Net income/loss after Federal income taxes & extraordinary items: | \$ | 5,379.91 |

## EXEMPTIVE PROVISIONS

- 25 If an exemption from Rule 15c3-3 is claimed, mark the appropriate rule section with an 'X':
- X A (k)(1) - Limited business (mutual funds and/or variable annuities only)
- B (k)(2)(i) - "Special Account for Exclusive Benefit of Customers" maintained
- C (k)(2)(ii) - All customer transactions cleared through another broker-dealer on a fully disclosed basis.  
Clearing Firm SEC #s Product Code [A=all;O=options; M=municipals; G=general securities; X=other]
- 8-  
8-  
8-  
8-  
8-
- D (k)(3) - Exempted by order of the Commission

## COMPUTATION OF NET CAPITAL

|    |                                                                                                  |                      |     |           |
|----|--------------------------------------------------------------------------------------------------|----------------------|-----|-----------|
| 1  | Total ownership equity from Statement of Financial Condition:                                    |                      | \$  | 41,872.68 |
| 2  | Deduct ownership equity not allowable for Net Capital:                                           |                      | \$  | -         |
| 3  | Total ownership equity qualified for Net Capital:                                                |                      | \$  | 41,872.68 |
| 4  | Add:                                                                                             |                      |     |           |
| A  | Liabilities subordinated to claims of general creditors allowable in computation of net capital: |                      | \$  | -         |
| B  | Other (deductions) or allowable credits (List):                                                  |                      |     |           |
|    | Description                                                                                      | Amount               |     |           |
|    |                                                                                                  |                      | \$  | -         |
| 5  | Total capital & allowable subordinated liabilities:                                              |                      | \$  | 41,872.68 |
| 6  | Deductions &/or charges:                                                                         |                      |     |           |
| A  | Total non-allowable assets from Statement of Financial Condition (Notes B and C):                | \$ 5,662.07          |     |           |
| B  | Secured demand note deficiency                                                                   |                      |     |           |
| C  | Commodity futures contracts & spot commodities - proprietary capital charges                     |                      |     |           |
| D  | Other deductions &/or charges                                                                    |                      | -\$ | 5,662.07  |
| 7  | Other additions &/or credits (List):                                                             |                      |     |           |
|    | Description                                                                                      | Amount               |     |           |
| 8  | Net capital before haircuts on securities positions:                                             |                      | \$  | 36,210.61 |
| 9  | Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):                      |                      |     |           |
| A  | Contractual securities commitments                                                               |                      |     |           |
| B  | Subordinated debt                                                                                |                      |     |           |
| C  | Trading and investment securities:                                                               |                      |     |           |
|    | 1. Exempted securities                                                                           |                      |     |           |
|    | 2. Debt securities                                                                               |                      |     |           |
|    | 3. Options                                                                                       |                      |     |           |
|    | 4. Other securities                                                                              |                      |     |           |
| D  | Undue concentration                                                                              |                      |     |           |
| E  | Other (List)                                                                                     |                      | \$  | 140.33    |
|    | Description                                                                                      | Amount of Investment |     |           |
|    | MMFs                                                                                             | \$7,016.27           |     |           |
|    |                                                                                                  |                      | -\$ | 140.33    |
| 10 | Net Capital:                                                                                     |                      | \$  | 36,070.28 |

## COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

### Part A

|    |                                                                                                                                                               |    |           |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------|
| 11 | Minimum net capital required: (6-2/3% of Aggregate Indebtedness)                                                                                              | \$ | -         |
| 12 | Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 5,000.00  |
| 13 | Net Capital Requirement (greater of line 11 or 12):                                                                                                           | \$ | 5,000.00  |
| 14 | Excess net capital:                                                                                                                                           | \$ | 31,070.28 |
| 15 | Excess net capital @ 100% (net capital - 10% of Aggregate Indebtedness):                                                                                      | \$ | 36,070.28 |

## COMPUTATION OF AGGREGATE INDEBTEDNESS

|    |                                                                                     |    |    |
|----|-------------------------------------------------------------------------------------|----|----|
| 16 | Total A. I. liabilities from Statement of Financial Condition                       | \$ | -  |
| 17 | Add:                                                                                |    |    |
|    | A Drafts for immediate credit                                                       |    |    |
|    | B Market value of securities borrowed where no equivalent value is paid or credited |    |    |
|    | C Other unrecorded amounts (List)                                                   |    |    |
|    | Description                      Amount                                             |    |    |
| 18 |                                                                                     |    |    |
| 19 | Total Aggregate Indebtedness:                                                       | \$ | -  |
| 20 | Percentage of Aggregate Indebtedness/Net Capital (line 19 / line 10):               |    | 0% |

## OTHER RATIOS

|    |                                                                                    |    |
|----|------------------------------------------------------------------------------------|----|
| 21 | Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) | 0% |
|----|------------------------------------------------------------------------------------|----|

## SCHEDULED WITHDRAWALS

Ownership Equity and Subordinated 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 | Name of Lender or Contributor | Insider or Outsider | Amount to be Withdrawn | Withdrawal or Maturity Date (MMDDYYYY) | Expect to Renew |
|----------------------------------------|-------------------------------|---------------------|------------------------|----------------------------------------|-----------------|
|                                        |                               |                     |                        |                                        |                 |
|                                        |                               |                     |                        |                                        |                 |
|                                        |                               |                     |                        |                                        |                 |
|                                        |                               |                     |                        |                                        |                 |
|                                        |                               |                     |                        |                                        |                 |

TOTAL:

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.

| Withdrawal Code | Description                  |
|-----------------|------------------------------|
| 1               | Equity Capital               |
| 2               | Subordinated Liabilities     |
| 3               | Accruals                     |
| 4               | 15c3-1(c)(2)(iv) Liabilities |

## STATEMENT OF CHANGES

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

|   |                                                  |    |           |
|---|--------------------------------------------------|----|-----------|
| 1 | Balance, beginning of period:                    | \$ | 36,492.77 |
|   | A Net income (loss)                              | \$ | 5,379.91  |
|   | B Additions, includes non-conforming capital of  |    |           |
|   | C Deductions, includes non-conforming capital of |    |           |
| 2 | Balance, end of period:                          | \$ | 41,872.68 |

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

|   |                               |
|---|-------------------------------|
| 3 | Balance, beginning of period: |
|   | A Increases                   |
|   | B Decreases                   |
| 4 | Balance, end of period:       |

# Statement of Financial Condition

(Includes unrealized gains)

As of 31/12/01 (in U.S. Dollars) (Accrual Basis)

15/02/02

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| Account                         | 31/12/01<br>Balance |
|---------------------------------|---------------------|
| <b>ASSETS</b>                   |                     |
| Cash and Bank Accounts          |                     |
| Checking Account                | 28,826.34           |
| CRDRG Account                   | 208.00              |
| CRDRN Account                   | 160.00              |
| OPP Cash Reserves Class A       | 6,786.66            |
| PIO Euro Reserve Fund           | 229.61              |
| TOTAL Cash and Bank Accounts    | 36,210.61           |
| Other Assets                    |                     |
| Dealer Reserve                  | 5,615.41            |
| WOOD PBM                        | 0.00                |
| WRL PBM                         | 46.66               |
| TOTAL Other Assets              | 5,662.07            |
| TOTAL ASSETS                    | 41,872.68           |
| <b>LIABILITIES &amp; EQUITY</b> |                     |
| <b>LIABILITIES</b>              |                     |
| Credit Cards                    |                     |
| Office Expenses                 | 0.00                |
| TOTAL Credit Cards              | 0.00                |
| Other Liabilities               |                     |
| Unpaid Commissions              | 0.00                |
| TOTAL Other Liabilities         | 0.00                |
| TOTAL LIABILITIES               | 0.00                |
| EQUITY                          | 41,872.68           |
| TOTAL LIABILITIES & EQUITY      | 41,872.68           |

# Statement of Cash Flows

01/01/01 Through 31/12/01 (in U.S. Dollars)

15/02/02

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| Category Description           | 01/01/01-<br>31/12/01 |
|--------------------------------|-----------------------|
| <b>INFLOWS</b>                 |                       |
| Uncategorized                  | 0.00                  |
| CRD Reallocation               | 38.00                 |
| Dealer Concessions             | 219,325.46            |
| 12B-1 Fees                     | 16,181.64             |
| Payable Below Minimum          | 140.76                |
| TOTAL Dealer Concessions       | 235,647.86            |
| Div Income                     | 222.91                |
| Other Income                   |                       |
| Application Fees               | 869.00                |
| TOTAL Other Income             | 869.00                |
| <b>TOTAL INFLOWS</b>           | <b>236,777.77</b>     |
| <b>OUTFLOWS</b>                |                       |
| Bank Error (-)                 | 0.20                  |
| Business Expense               |                       |
| Ads                            | 1,099.00              |
| Bank Charge                    | 0.97                  |
| Corporate Fee                  | 265.00                |
| Education                      |                       |
| Study Materials                | 707.38                |
| TOTAL Education                | 707.38                |
| Executive Consultant's Office  | 39,000.00             |
| NALICO Home Office             | 2,000.00              |
| Office Supplies                | 697.50                |
| Postage and Delivery           | 107.94                |
| Printing and Reproduction      | 41.04                 |
| Service Charge                 | 36.00                 |
| Tax, Business                  |                       |
| State                          | 172.60                |
| TOTAL Tax, Business            | 172.60                |
| Travel, Business               | 3,465.21              |
| Utilities, Business            |                       |
| Telephone                      | 40.88                 |
| TOTAL Utilities, Business      | 40.88                 |
| TOTAL Business Expense         | 47,633.52             |
| Commission                     | 170,938.75            |
| Override                       | 6,296.11              |
| TOTAL Commission               | 177,234.86            |
| NASD Fees                      |                       |
| Lic & Reg                      | 25.00                 |
| FBI Fingerprint Fee 1st Subm.  | 44.00                 |
| GA Individual Reg. Fee         | 50.00                 |
| NASD Branch Registration Fee   | 75.00                 |
| NASD CE Tracked Fee S101       | 65.00                 |
| NASD Disclosure Processing Fee | 475.00                |
| NASD Fingerprint 1st Subm.     | 20.00                 |
| NASD Individual Reg. Fee       | 595.00                |
| NASD Termination Fee-Full U5   | 480.00                |
| NC Individual Registration Fee | 55.00                 |
| S6 Exam                        | 120.00                |
| S63 Exam                       | 65.00                 |
| TX Individual Reg. Fee         | 470.00                |
| TOTAL Lic & Reg                | 2,539.00              |
| Membership                     | 4,935.00              |
| Registration Of OSJ            | 150.00                |
| TOTAL NASD Fees                | 7,624.00              |
| Reserve Withdrawn              | 1,371.98              |
| <b>TOTAL OUTFLOWS</b>          | <b>233,864.56</b>     |
| <b>OVERALL TOTAL</b>           | <b>2,913.21</b>       |

**Changes in Financial Condition**  
01/01/00 Through 31/12/01 (in U.S. Dollars)

15/02/02

Page 1

| Category Description           | 01/01/00-<br>31/12/00 | 01/01/01-<br>31/12/01 | Amount<br>Difference |
|--------------------------------|-----------------------|-----------------------|----------------------|
| <b>INFLOWS</b>                 |                       |                       |                      |
| Uncategorized                  | 0.00                  | 0.00                  | 0.00                 |
| CRD Reallocation               | 1,305.00              | 38.00                 | -1,267.00            |
| Dealer Concessions             | 311,759.04            | 219,325.46            | -92,433.58           |
| 12B-1 Fees                     | 23,328.07             | 16,181.64             | -7,146.43            |
| Payable Below Minimum          | 200.40                | 140.76                | -59.64               |
| TOTAL Dealer Concessions       | 335,287.51            | 235,647.86            | -99,639.65           |
| Div Income                     | 345.78                | 222.91                | -122.87              |
| Other Income                   |                       |                       |                      |
| Application Fees               | 1,571.00              | 869.00                | -702.00              |
| Miscellaneous                  | 41,913.37             | 0.00                  | -41,913.37           |
| State Renewal Fees             | 1,615.00              | 0.00                  | -1,615.00            |
| TOTAL Other Income             | 45,099.37             | 869.00                | -44,230.37           |
| <b>TOTAL INFLOWS</b>           | <b>382,037.66</b>     | <b>236,777.77</b>     | <b>-145,259.89</b>   |
| <b>OUTFLOWS</b>                |                       |                       |                      |
| Bank Error (-)                 | 0.00                  | 0.20                  | -0.20                |
| Business Expense               |                       |                       |                      |
| Ads                            | 0.00                  | 1,099.00              | -1,099.00            |
| Bank Charge                    | 4.74                  | 0.97                  | 3.77                 |
| Corporate Fee                  | 255.00                | 265.00                | -10.00               |
| Corporate Meeting              | 2,124.25              | 0.00                  | 2,124.25             |
| Education                      |                       |                       |                      |
| Study Materials                | 0.00                  | 707.38                | -707.38              |
| TOTAL Education                | 0.00                  | 707.38                | -707.38              |
| Executive Consultant's Office  | 36,000.00             | 39,000.00             | -3,000.00            |
| Insurance                      |                       |                       |                      |
| Surety Bond                    | 3,675.00              | 0.00                  | 3,675.00             |
| TOTAL Insurance                | 3,675.00              | 0.00                  | 3,675.00             |
| NALICO Home Office             | 0.00                  | 2,000.00              | -2,000.00            |
| Office Supplies                | 0.00                  | 697.50                | -697.50              |
| Postage and Delivery           | 262.41                | 107.94                | 154.47               |
| Printing and Reproduction      | 495.53                | 41.04                 | 454.49               |
| Service Charge                 | 42.00                 | 36.00                 | 6.00                 |
| Tax, Business                  |                       |                       |                      |
| Franchise                      | 162.85                | 0.00                  | 162.85               |
| State                          | 0.00                  | 172.60                | -172.60              |
| TOTAL Tax, Business            | 162.85                | 172.60                | -9.75                |
| Travel, Business               | 5,000.00              | 3,465.21              | 1,534.79             |
| Air Fare                       | 12,622.08             | 0.00                  | 12,622.08            |
| TOTAL Travel, Business         | 17,622.08             | 3,465.21              | 14,156.87            |
| Utilities, Business            |                       |                       |                      |
| Telephone                      | 0.00                  | 40.88                 | -40.88               |
| TOTAL Utilities, Business      | 0.00                  | 40.88                 | -40.88               |
| TOTAL Business Expense         | 60,643.86             | 47,633.52             | 13,010.34            |
| Commission                     | 259,806.13            | 170,938.75            | 88,867.38            |
| Held Commissions               | 135.32                | 0.00                  | 135.32               |
| Override                       | 3,613.75              | 6,296.11              | -2,682.36            |
| TOTAL Commission               | 263,555.20            | 177,234.86            | 86,320.34            |
| Miscellaneous                  | 41,913.37             | 0.00                  | 41,913.37            |
| NASD Fees                      |                       |                       |                      |
| Lic & Reg                      | 160.00                | 25.00                 | 135.00               |
| FBI Fingerprint Fee 1st Subm.  | 110.00                | 44.00                 | 66.00                |
| GA Broker Dealer Reg. Fee      | 250.00                | 0.00                  | 250.00               |
| GA Individual Reg. Fee         | 150.00                | 50.00                 | 100.00               |
| KS Broker Dealer Reg. Fee      | 200.00                | 0.00                  | 200.00               |
| KS Individual Reg. Fee         | 50.00                 | 0.00                  | 50.00                |
| NASD Branch Registration Fee   | 75.00                 | 75.00                 | 0.00                 |
| NASD CE Tracked Fee S101       | 260.00                | 65.00                 | 195.00               |
| NASD Disclosure Processing Fee | 0.00                  | 475.00                | -475.00              |
| NASD Fingerprint 1st Subm.     | 50.00                 | 20.00                 | 30.00                |
| NASD Individual Reg. Fee       | 1,020.00              | 595.00                | 425.00               |
| NASD Late Termination Fee      | 80.00                 | 0.00                  | 80.00                |
| NASD Termination Fee-Full U5   | 480.00                | 480.00                | 0.00                 |

**Changes in Financial Condition**  
01/01/00 Through 31/12/01 (in U.S. Dollars)

15/02/02

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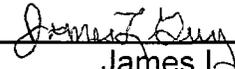
| Category Description      | 01/01/00-<br>31/12/00 | 01/01/01-<br>31/12/01 | Amount<br>Difference |
|---------------------------|-----------------------|-----------------------|----------------------|
| S26 Exam                  | 75.00                 | 0.00                  | 75.00                |
| S28 Exam                  | 300.00                | 0.00                  | 300.00               |
| S6 Exam                   | 720.00                | 120.00                | 600.00               |
| S63 Exam                  | 390.00                | 65.00                 | 325.00               |
| SC Broker Dealer Reg. Fee | 300.00                | 0.00                  | 300.00               |
| SC Individual Reg. Fee    | 300.00                | 0.00                  | 300.00               |
| TX Individual Reg. Fee    | 470.00                | 470.00                | 0.00                 |
| TOTAL Lic & Reg           | 6,235.00              | 2,539.00              | 3,696.00             |
| Membership                | 5,535.00              | 4,935.00              | 600.00               |
| Registration Of OSJ       | 50.00                 | 150.00                | -100.00              |
| TOTAL NASD Fees           | 11,820.00             | 7,624.00              | 4,196.00             |
| Reserve Withdrawn         | 1,004.58              | 1,371.98              | -367.40              |
| <b>TOTAL OUTFLOWS</b>     | <b>378,937.01</b>     | <b>233,864.56</b>     | <b>145,072.45</b>    |
| <b>OVERALL TOTAL</b>      | <b>3,100.65</b>       | <b>2,913.21</b>       | <b>-187.44</b>       |

NALICO EQUITY CORPORATION  
Notes to Financial Statements

- Note A The PIO Euro Reserve Fund was established for the purpose of depositing Dealer Concessions received in European Euros. For purposes of calculations, the value of one Euro was deemed equivalent to the value of one US Dollar.
- Note B The Bank Error (-\$0.20) was reported to the bank, but had not been corrected at time of this audit.
- Note C The business of this Broker-Dealer in the year ending December 31, 2001 consisted exclusively of the distribution of shares of registered open-end investment companies and the sale of variable annuities, and thus was excluded from membership in the Securities Investor Protection Corporation ("SIPC").

NALICO EQUITY CORPORATION  
Accountant's Report

The audited financial statement of the Company and my report thereon are presented in the preceding sections of this report. In accordance with the requirements of SEC Rule 17a-5, the following statements are added. The audit was made in accordance with generally accepted auditing standards. Such information has been subject to the auditing procedures applied in the examination of the basic financial statement and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. No material inadequacies were disclosed. No exceptions are noted.

  
\_\_\_\_\_  
James L. Grey

\_\_\_\_\_  
15. FEB. 2002  
Date

\_\_\_\_\_  
Frankfurt, Germany  
Location