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

RECEIVED  
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385  
WASHINGTON SECTION

SEC FILE NUMBER  
8- 45715

**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 January 1, 2001 AND ENDING December 31, 2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
**VECTORMEX Incorporated**

OFFICIAL USE ONLY  
FIRM ID. NO.

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

New York New York 10022  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Raymond Xerri 212-407-5510  
(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

PricewaterhouseCoopers

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

1177 Avenue of the Americas New York New York 10036  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

**PROCESSED  
FEB 25 2002  
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).

OATH OR AFFIRMATION

I, Raymond Xerri, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **VECTORMEX Incorporated**, 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:

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

TZADDY LAJARA  
Notary Public, State of New York  
No. 01LA5051369  
Qualified in Kings County  
Commission Expires Nov. 6, 2005

Tzaddy Lajara  
Notary Public

[Signature]  
Signature  
Chief Financial Officer  
Title

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (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).



# **VECTORMEX Incorporated**

**Statement of Financial Condition  
December 31, 2001**

**Report of Independent Accountants**

To the Board of Directors  
and Stockholder of  
Vectormex Incorporated

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Vectormex Incorporated (the "Company") at December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

February 11, 2002

**VECTORMEX Incorporated**  
**Statement of Financial Condition**  
**December 31, 2001**

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**Assets**

Cash and cash equivalents	\$ 9,844,925
Receivable from clearing broker	647,973
Securities owned, at market value	432,000
Fixed assets - at cost, less accumulated depreciation of \$1,515,008	200,552
Other assets	<u>440,111</u>

**Total assets** \$ 11,565,561

**Liabilities and Stockholder's Equity**

Accounts payable	\$ 36,343
Payable to affiliate	196,863
Accrued compensation payable	494,767
Other accrued expenses	<u>142,611</u>

**Total liabilities** 870,584

Total stockholder's equity 10,694,977

**Total liabilities and stockholder's equity** \$ 11,565,561

The accompanying notes are an integral part of this statement of financial condition.

**1. Organization**

VECTORMEX Incorporated (the "Company"), a Delaware corporation, is a wholly owned subsidiary of Vectormex International, Inc. (the "Parent"), which is in turn a wholly owned subsidiary of Vector Casa de Bolsa, S.A. de C.V. (the "Ultimate Parent"), a broker-dealer operating in Mexico.

The Company is registered as a broker-dealer with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc.

The Company's principal business is securities brokerage and trading in Mexican and, to a lesser extent, U.S. securities. These activities are related to the facilitation of transactions for its customers, which include high net worth individuals, institutional investors, and other financial institutions. Customer transactions are introduced to and cleared through a correspondent broker.

**2. Significant Accounting Policies**

**Basis of presentation**

The Company's records are maintained on the accrual basis of accounting and conform to generally accepted accounting principles in the United States of America.

Substantially all assets and liabilities are carried at fair value or amounts which approximate fair value. Fair values of financial instruments are obtained through market quotes or quotes from reputable dealers.

**Cash and cash equivalents**

The Company considers all money market instruments purchased and not held for resale, with an original maturity of three months or less, to be cash equivalents. At December 31, 2001, all cash and cash equivalents were held at major U.S. financial institutions.

**Securities transactions**

Transactions in securities are recorded on a trade date basis.

Securities owned are valued at market.

**Fixed assets**

Furniture and equipment is carried at cost and is depreciated on a straight line basis using an estimated useful life of five years.

Leasehold improvements are amortized on a straight line basis over the lesser of the estimated useful life of the improvement or the term of the lease.

**Other assets**

Other assets at December 31, 2001 include: accrued income receivable, prepaid assets, and other miscellaneous assets with values of \$141,837, \$84,132, and \$214,142, respectively.

**VECTORMEX Incorporated**  
**Notes to Statement of Financial Condition**

**Income taxes**

The Company recognizes both the current and deferred tax consequences of all transactions that have been recognized in the financial statements, calculated based on the provisions of enacted tax laws, including the tax rates in effect for current and future years. Net deferred tax assets, whose realization is dependent on taxable earnings of future years, are recognized with a corresponding valuation allowance to the extent it is more likely than not that the tax benefits will not actually be realized.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require 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. Actual results may differ from those estimates.

**3. Securities Owned**

Securities owned, at market value, at December 31, 2001 consist of the following:

Foreign Corporate Bonds	\$ 428,700
Corporate Equity	3,300
	<u>\$ 432,000</u>

**4. Fixed Assets**

Fixed assets at December 31, 2001 consist of the following:

Furniture and fixtures	\$ 249,242
Office equipment	110,690
Communications equipment	542,305
Software	21,090
Leasehold improvements	792,233
	<u>1,715,560</u>
Less - Accumulated depreciation	<u>1,515,008</u>
<b>Total</b>	<u>\$ 200,552</u>

**5. Related Party Transactions**

Payable to affiliates at December 31, 2001 primarily relates to client referral fees owed to the ultimate Parent.

**6. Income Taxes**

The Company files a consolidated Federal income tax return with Vectormex International, Inc. and separate New York State and New York City income tax returns.

At December 31, 2001, the Company has net deferred tax assets of approximately \$307,000. The Company's deferred tax assets relate to \$58,000 in net operating loss carryforwards, \$178,000 for capital loss carryforwards and \$71,000 of book depreciation in excess of tax depreciation. The valuation allowance for net deferred tax assets decreased by \$342,000, as a result of the utilization of net operating loss carryforwards. As of December 31, 2001 the Company has recorded a valuation allowance against the deferred tax asset of \$249,000 as management believes it is more likely than not that the tax benefits will not be realized in the future.

**7. Commitments**

The Company has a noncancellable lease for office facilities, which expires February 28, 2003 and contains provisions for rent escalations based on increases in certain costs incurred by the lessor.

Future minimum annual rent payments required under the lease are as follows:

Year ending December 31	
2002	\$ 372,997
2003	<u>62,166</u>
<b>Total minimum payments required</b>	<b><u>\$ 435,163</u></b>

At December 31, 2001, other accrued expenses includes \$57,875 of deferred rent payable, representing the excess of the cumulative rent expense over amounts paid to date.

**8. Financial Instruments With Off-Balance-Sheet Risk and Concentration of Credit Risk**

The Company may be exposed to off-balance-sheet risk in the event the customer or counterparty is unable to fulfill its contractual obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. The Company has a policy of reviewing, as considered necessary, the credit standing of each counterparty and customer with which it conducts business.

From time to time, the aggregate security positions held by the Company's customers may become concentrated in the debt issues of a particular sovereign country and/or corporate issuer. A significant decline in the value of a concentrated customer security position could have a material adverse effect on the Company's business.

**9. Net Capital Requirement**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital, as defined, equal to the greater of \$100,000 or 6-2/3% of aggregate indebtedness, as defined. Rule 15c3-1 also requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$9,573,949, which was \$9,473,949 in excess of the amount required of \$100,000. The ratio of aggregate indebtedness to net capital was .09:1.