

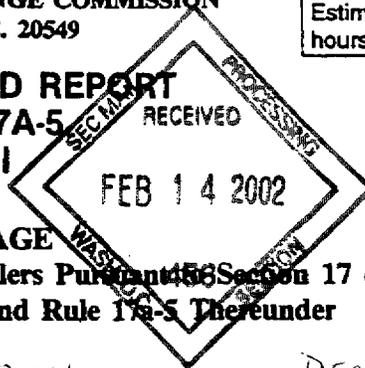


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ED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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



SEC FILE NUMBER  
8 40767

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:

STEIN ABBOTT AND COMPANY INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

37 DAKLAND AVE.

(No. and Street)

YONKERS

NY

10710

(City)

(State)

(Zip Code)

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

HOWARD STEIN

914-779-0796

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

HERMAN M. EINSCHLAG & CO.

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

1530 PALISAD E AVE.

FORT LEE

NJ

07024

(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, HELENE STEIN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STEIN ABBOTT AND COMPANY INC., as of DECEMBER 31, 19 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:

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

Helene Stein  
Signature  
SECRETARY  
Title

Howard Stein  
Notary Public

HOWARD STEIN  
NOTARY PUBLIC OF NEW JERSEY

My Commission Expires Feb. 14, 2003

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).

STEIN, ABBOTT & COMPANY, INC.

FINANCIAL STATEMENT

DECEMBER 31, 2001

STEIN, ABBOTT & COMPANY, INC.

TABLE OF CONTENTS  
DECEMBER 31, 2001

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Balance Sheet	2
Statement of Operations	3
Statement of Stockholders' Equity	4
Statement of Net Capital Requirements	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7-8
SUPPLEMENTARY INFORMATION:	
Schedule of Expenses	9

**HERMAN M. EINSCHLAG & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
1530 PALISADE AVENUE  
SUITE 15F  
FORT LEE, NEW JERSEY 07024-1335  
  
TELEPHONE (201) 461-7619  
FAX (201) 461-3231

INDEPENDENT AUDITOR'S REPORT

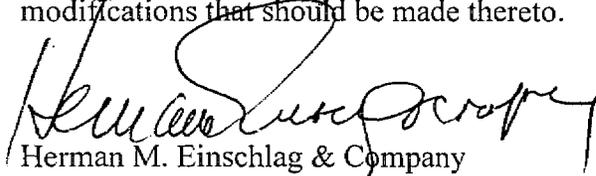
To the Shareholders' of  
Stein, Abbott & Company, Inc.

We have audited the accompanying balance sheet of Stein, Abbott & Company, Inc. as of December 31, 2001 and the related statement of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to the above present fairly, in all material respects, the financial position of Stein, Abbott & Company, Inc. as of December 31, 2001, and the results of its operations, changes in shareholders' equity and cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements on order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying schedule of expenses is presented only for supplementary analysis. Such information has been subject to the inquiry and analytical procedures applied in the audit of the basic financial statements and we are not aware of any material modifications that should be made thereto.

  
Herman M. Einschlag & Company

STEIN ABBOTT & COMPANY, INC.  
BALANCE SHEET  
DECEMBER 31, 2001

ASSETS

Cash and cash equivalents	\$ 41,512
Commissions receivable	487
Clearing broker deposit	<u>15,000</u>
 Total Assets	 <u>\$ 56,999</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Commissions payable	\$ 7,036
Other accrued expenses and taxes	8,603
Profit sharing contribution payable	<u>3,618</u>
 Total Liabilities	 \$ 19,257
 Shareholders' equity	 <u>37,742</u>
 Total Liabilities and Shareholders' Equity	 <u>\$ 56,999</u>

STEIN ABBOTT & COMPANY, INC.  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Income from commissions, fees and services	\$ 321,066	
Interest income	<u>737</u>	
Total Income		321,803
 <u>Less: Expenses of Operations:</u>		
Salaries	77,076	
Commission expenses	191,902	
General and administrative expenses	<u>57,017</u>	
Total Expenses of Operations		<u>325,995</u>
NET (LOSS)		<u>\$ (4,192)</u>

STEIN ABBOTT & COMPANY, INC.  
STATEMENT OF SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001

Balance at January 1, 2001	\$ 41,934
Less: Net (Loss)	<u>(4,192)</u>
BALANCE AT DECEMBER 31, 2001	<u><u>\$ 37,742</u></u>

STEIN ABBOTT & COMPANY, INC.  
STATEMENT OF NET CAPITAL REQUIREMENTS  
DECEMBER 31, 2001

Shareholders' Equity	\$ 37,742
Minimum Net Capital Requirement	<u>25,000</u>
EXCESS NET CAPITAL	<u><u>\$ 12,742</u></u>

STEIN ABBOTT & COMPANY, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Cash Flows From Operating Activities:	
Net (Loss)	\$ (4,192)
Charges in components of working capital:	
(Decrease) in accrued commissions payable	(14,033)
Increase in accrued expenses	2,587
Decrease in accrued receivable income	15,334
Decrease in security deposits	<u>800</u>
Increase in Cash From Operating Activities	496
Cash - Beginning of Period	<u>41,016</u>
Cash - End of Period	<u><u>\$ 41,512</u></u>

STEIN, ABBOTT & COMPANY, INC.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2001

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Company is a Corporation, organized under the laws of the State of New Jersey on July 27, 1988 to own and operate its sales of securities. It does not carry or clear customer accounts. The company forwards, as a broker, all transactions, funds and securities of customers to another broker or dealer who carries such accounts on a fully disclosed basis.

USE OF ESTIMATES

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

CASH

The Corporation maintains its operating and money market accounts at financial institutions, in amounts, which at times may exceed insured limits. The company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk thereon.

Equipment and fixtures were recorded at cost. Depreciation was provided on the straight – line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

As at December 31, 2001 all equipment and fixtures were fully depreciated.

STEIN, ABBOT & COMPANY, INC.  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2001

INCOME TAXES

The Company, with the consent of its stockholders', elected under Internal Revenue Code and New Jersey State law to be taxed as an S Corporation. In lieu of corporate income taxes, the stockholders are taxed on the Company's results of operations. Accordingly, no provision or liability for income taxes is included in the accompanying financial statements.

NOTE 2. NET CAPITAL REQUIREMENTS

The company is a member of the National Association of Securities Dealers, Inc. (NASD). It is subject to certain minimum net capital requirements. At December 31, 2001, the company's equity qualified for Net Capital totaled \$37,742.00 and was \$12,742.00 in excess of the net minimum requirement of \$25,000.00.

The Net Capital requirement has not been adjusted for a Certificate of Deposit, which has 91-day maturity in the amount of \$6,677.

NOTE 3. RELATED PARTY TRANSACTIONS

The following transactions occurred between the Company and Howard Stein, a stockholder.

Howard Stein received a salary of \$40,200.08 in addition commissions to Stein Agency in the amount of \$39,000.

NOTE 4. PROFIT SHARING PLAN

The company has a profit sharing plan covering management and administrative employees. Contributions are made at the company's discretion. The contribution for 2001 is in the amount of \$5,068.

STEIN, ABBOTT & COMPANY, INC.

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2001

STEIN ABBOTT & COMPANY, INC.  
SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2001

Rent	\$ 5,900
Telephone	7,081
Postage & Shipping	1,732
Office Supplies and Expense	10,071
Fees and Licenses	7,328
Insurance	615
Utilities	971
Conference Expense	4,721
Travel	1,337
Professional Fees	4,827
Payroll Taxes	6,567
State Corporate Tax	296
Profit share contribution	5,068
Miscellaneous Expense	<u>503</u>
Total	<u><u>\$ 57,017</u></u>