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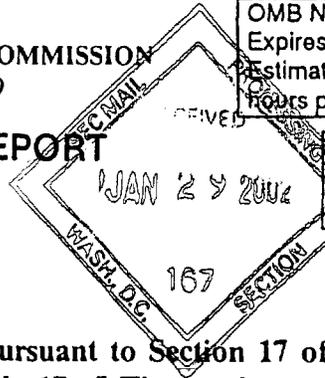
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: January 31, 1993
Estimated average burden
hours per response . . . 12.00

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



SEC FILE NUMBER
8-22482

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 12/01/00 AND ENDING 11/30/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Barwell Securities Corporation

OFFICIAL USE ONLY
FIRM ID. NO.

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

3209 Ingersoll Avenue, Suite 210

(No. and Street)

Des Moines

Iowa

50312

(City)

(State)

(Zip Code)

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

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

McGowen, Hurst, Clark & Smith P.C.

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

1601 West Lakes Parkway, Suite 300, West Des Moines, Iowa

50266

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

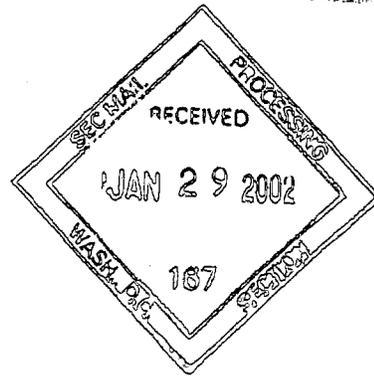
- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED
FEB 06 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).

KM



BARWELL SECURITIES CORPORATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

NOVEMBER 30, 2001



David W. Hurst, CPA
Kathleen A. Koenig, CPA
Robert R. McGowen, CPA
Michael W. McNichols, CPA
Thomas J. Pflanz, CPA
John A. Schmidt, CPA
Daniel A. Schwarz, CPA
S. James Smith, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Barwell Securities Corporation

We have audited the accompanying statement of financial condition of Barwell Securities Corporation as of November 30, 2001, and the related statement of income (loss), changes in ownership equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barwell Securities Corporation as of November 30, 2001, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Computation of Net Capital, Computation of Basic Net Capital Requirement, Computation of Aggregate Indebtedness, and the Statement of Changes in Liabilities Subordinated to the Claims of General Creditors are presented for the purposes of additional analysis and are not a required part of the basic financial statements, but are 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.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
December 18, 2001

OATH OR AFFIRMATION

I, Roger D. Hershey, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Barwell Securities Corporation, as of November 30, 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:

Roger D. Hershey
Signature
President
Title

Amy J. Jurgensen
Notary Public

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

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

**FORM
X-17A-5**

FOCUS REPORT

OMB No. 3235-0123
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

3/91

(Please 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

Barwell Securities Corporation 13

SEC FILE NO.

8-22482 14

FIRM ID. NO.

42-1091365 15

FOR PERIOD BEGINNING (MM/DD/YY)

12/01/00 24

AND ENDING (MM/DD/YY)

11/30/01 25

3209 Ingersoll Avenue, Suite 210 20
(No. and Street)

Des Moines 21 Iowa 22 50312 23
(City) (State) (Zip Code)

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

Roger D. Hershey 30 (Area Code)—Telephone No. 515-255-6210 31

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

- 32 33
34 35
36 37
38 39

- DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41
CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 3 day of Jan 19 2001
Manual signatures of:

- 1) [Signature]
Principal Executive Officer or Managing Partner
2) _____
Principal Financial Officer or Partner
3) _____
Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:(a))

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)

McGowen, Hurst, Clark & Smith P.C.

70

ADDRESS	Number and Street	City	State	Zip Code
1601 West Lakes Parkway Suite 300		West Des Moines	Iowa	50266

71

72

73

74

Check One

Certified Public Accountant

75

FOR SEC USE

Public Accountant

76

Accountant not resident in United States or
any of its possessions

77

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

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				

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

BROKER OR DEALER Barwell Securities Corporation

N 3

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

as of (MM/DD/YY) 11/30/01 99
 SEC FILE NO. 8-22482 98
 Consolidated 198
 Unconsolidated 199

ASSETS

	<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>
1. Cash	\$ 41,191		\$ 41,191
2. Receivables from brokers or dealers:			
A. Clearance account	9,704		9,704
B. Other		550	810
3. Receivables from non-customers		600	830
4. Securities and spot commodities owned, at market value:			
A. Exempted securities	418		
B. Debt securities	419		
C. Options	420		
D. Other securities	424		
E. Spot commodities	430		850
5. Securities and/or other investments not readily marketable:			
A. At cost \$	130		
B. At estimated fair value	440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$	460	630	880
B. Other securities \$	150		
7. Secured demand notes:	470	640	890
market value of collateral:			
A. Exempted securities \$	170		
B. Other securities \$	180		
8. Memberships in exchanges:			
A. Owned, at market \$	190		
B. Owned, at cost		650	
C. Contributed for use of the company, at market value		660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	490	680	920
11. Other assets. <u>Deferred income taxes</u>	535	735	930
12. TOTAL ASSETS	\$ 50,895	\$ 740	\$ 72,293
		1,290	1,290
		20,108	20,108
		21,398	21,398
		740	940

The accompanying notes are an integral part of these financial statements OMIT PENNIES

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

BROKER OR DEALER Barwell Securities Corporation as of 11/30/01

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

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
Bank loans payable:	\$ 1045	\$ 1255	\$ 1470
Payable to brokers or dealers:			
A. Clearance account	1114	1315	1560
B. Other	1115	1305	1540
Payable to non-customers	1155	1355	1610
Securities sold not yet purchased, at market value		1360	1620
Accounts payable, accrued liabilities, expenses and other	5,395 1205	1385	5,395 1685
Notes and mortgages payable:			
A. Unsecured	1210		1690
B. Secured	1211	1390	1700
Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$ 970		35,500 1400	35,500 1710
2. Includes equity subordination (15c3-1 (d)) of \$ 35,500 980			
B. Securities borrowings, at market value: ... from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements:		1420	1730
1. from outsider: \$ 1000			
2. Includes equity subordination (15c3-1 (d)) of \$ 1010			
D. Exchange memberships contributed for use of company, at market value		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
TOTAL LIABILITIES	\$ 5,395 1230	\$ 35,500 1450	\$ 40,895 1760

Ownership Equity

Sole proprietorship		\$ 1770
Partnership (limited partners	\$ 1020	\$ 1780
Corporation:		
A. Preferred stock		1791
B. Common stock \$1 par value 8,000 shares authorized, 3,750 shares issued and outstanding		3,750 1792
C. Additional paid-in capital		119,421 1793
D. Retained earnings		(91,773) 1794
E. Total		31,398 1795
F. Less capital stock in treasury		1796
TOTAL OWNERSHIP EQUITY		\$ 31,398 1800
TOTAL LIABILITIES AND OWNERSHIP EQUITY		\$ 72,293 1810

The accompanying notes are an integral part of these financial statements OMIT PENNIES

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

BROKER OR DEALER

Barwell Securities Corporation

For the period (MMDDYY) from 12/01/00 3932 to 11/30/01 3933
Number of months included in this statement 3931

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$	32,417	3935
b. Commissions on listed option transactions	"	0	3938
c. All other securities commissions		53,113	3939
d. Total securities commissions		85,530	3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			3945
b. From all other trading			3949
c. Total gain (loss)			3950
3. Gains or losses on firm securities investment accounts			3952
4. Profit (loss) from underwriting and selling groups	"		3955
5. Revenue from sale of investment company shares			3970
6. Commodities revenue		140,652	3990
7. Fees for account supervision, investment advisory and administrative services			3975
8. Other revenue		2,691	3995
9. Total revenue	\$	228,873	4030

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	\$		4120
11. Other employee compensation and benefits	"	57,543	4115
12. Commissions paid to other broker-dealers		83,762	4140
13. Interest expense		5,795	4075
a. Includes interest on accounts subject to subordination agreements		5,795	4070
14. Regulatory fees and expenses		2,050	4195
15. Other expenses		85,096	4100
16. Total expenses	\$	234,246	4200

NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	(5,373)	4210
18. Provision for Federal income taxes (for parent only)	"	1,075	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			4222
a. After Federal income taxes of			4238
20. Extraordinary gains (losses)			4224
a. After Federal income taxes of			4239
21. Cumulative effect of changes in accounting principles			4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$	(4,298)	4230

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$		4211
---	----	--	------

The accompanying notes are an integral part of these financial statements

BARWELL SECURITIES CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (4,298)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Gain on extinguishment of debt	(1,925)
Depreciation and amortization	2,837
Deferred income tax benefit	(1,075)
Decrease in receivables from brokers	8,362
Decrease in accounts payable and accrued expenses	<u>(1,140)</u>
Cash Provided By Operating Activities	2,761

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(1,612)
------------------------------------	---------

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on subordinate debt	<u>(17,575)</u>
------------------------------	-----------------

NET DECREASE IN CASH (16,426)

CASH BALANCE - BEGINNING OF YEAR 57,617

CASH BALANCE - END OF YEAR \$ 41,191

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for interest	<u>\$ 5,795</u>
Cash paid during the year for income taxes	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

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

BROKER OR DEALER

Barwell Securities Corporation

as of 11/30/01

Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- | | | |
|--|-------------|---------------|
| A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 | | 4550 |
| B. (k) (2)(A)—“Special Account for the Exclusive Benefit of customers” maintained | | 4560 |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm <u> Mesirov Financial </u> | 4335 | X 4570 |
| D. (k) (3)—Exempted by order of the Commission | | 4580 |

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA

BROKER OR DEALER Barwell Securities Corporation

as of 11/30/01

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition.....	\$ 31,398	3480	
2. Deduct ownership equity not allowable for Net Capital.....	()	3490	
3. Total ownership equity qualified for Net Capital.....	31,398	3500	
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital.....	35,500	3520	
B. Other (deductions) or allowable credits (List).....		3525	
5. Total capital and allowable subordinated liabilities.....	\$ 66,898	3530	
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C).....	\$ 21,398	3540	
B. Secured demand note deficiency.....		3590	
C. Commodity futures contracts and spot commodities- proprietary capital charges.....		3600	
D. Other deductions and/or charges.....		3610	
	(21,398)	3620	
7. Other additions and/or allowable credits (List).....		3630	
8. Net capital before haircuts on securities positions.....	\$ 45,500	3640	
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments.....	\$ 3660		
B. Subordinated securities borrowings.....		3670	
C. Trading and investment securities:			
1. Exempted securities.....		3735	
2. Debt securities.....		3733	
3. Options.....		3730	
4. Other securities.....		3734	
D. Undue Concentration.....		3650	
E. Other (List).....		3736	
	()	3740	
10. Net Capital.....	\$ 45,500	3750	

OMIT PENNIES

There are no differences in the computation of net capital as of November 30, 2001, between the above computed net capital and the unaudited filing of Part IIA of the Focus report submitted by the Company.

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

BROKER OR DEALER

Barwell Securities Corporation

as of 11/30/01

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$	359	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)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	40,500	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	▼ \$	44,960	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	5,395	3790
17. Add:			
A. Drafts for immediate credit	▼ \$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
19. Total aggregate indebtedness	\$	5,395	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	12	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	0	3860

COMPUTATION OF ALTERNATE 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	\$	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)	▼ \$	3880	3880
24. Net capital requirement (greater of line 22 or 23)	\$	3760	3760
25. Excess net capital (line 10 less 24)	\$	3910	3910
26. Net capital in excess of:			
5% of combined aggregate debit items or \$120,000	\$	3920	3920

OMIT PENNIES

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 or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note 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.

See "Independent Auditor's Report"

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 See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be With-drawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)
Y 31	4600 NONE	4601	4602	4603	4604 4605
Y 31	4610	4611	4612	4613	4614 4615
Y 31	4620	4621	4622	4623	4624 4625
Y 31	4630	4631	4632	4633	4634 4635
Y 31	4640	4641	4642	4643	4644 4645
Y 31	4650	4651	4652	4653	4654 4655
Y 31	4660	4661	4662	4663	4664 4665
Y 31	4670	4671	4672	4673	4674 4675
Y 31	4680	4681	4682	4683	4684 4685
Y 31	4690	4691	4692	4693	4694 4695
TOTAL \$				4699	

OMIT PENNIES

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

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

BROKER OR DEALER Barwell Securities Corporation

For the period (MMDDYY) from 12/01/00 to 11/30/01

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

1. Balance, beginning of period.....	\$	35,696	4240
A. Net income (loss).....		(4,298)	4250
B. Additions (Includes non-conforming capital of.....)	\$	4262	4260
C. Deductions (Includes non-conforming capital of.....)	\$	4272	4270
2. Balance, end of period (From item 1800).....	\$	31,398	4290

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

3. Balance, beginning of period.....	\$	55,000	4300
A. Increases.....			4310
B. Decreases.....		19,500	4320
4. Balance, end of period (From item 3520).....	\$	35,500	4330

OMIT PENNIES

The accompanying notes are an integral part of these financial statements

BARWELL SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS - The Company operates as a stockbroker handling trades on all major exchanges for customers predominantly in central Iowa. The trades are handled through a brokerage clearing house. Receivables represent commissions earned on trading transactions and are due from brokers and dealers. Management considers these receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost less an allowance for accumulated depreciation. The cost of the property and equipment is depreciated over the estimated useful lives of the related assets. The net book value (cost less accumulated depreciation of \$38,031) of property and equipment was \$1,290. Depreciation expense for the year was \$2,837.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CONCENTRATIONS - The Company handles a majority of its trades through a single securities broker and dealer and a single future commission merchant. The receivables from brokers arise from these entities.

TRANSACTIONS RECORDING POLICY - Customers' securities and commodities transactions are recorded on a trade date basis with related commission income and expenses recovered on a trade date basis.

NOTE B - SUBORDINATED LOANS

Borrowings subordinated to the claims of general creditors totaling \$35,500 have been contributed under agreements requiring annual interest payments at 12%. Scheduled maturities of these loans are as follows:

Year Ending November 30,	
2002	\$ 10,500
2003	<u>25,000</u>
	<u>\$ 35,500</u>

These borrowings are outstanding notes payable to certain shareholders. Interest expense on these related party notes totaled \$5,795 during 2001.

During 2001, the Company extinguished a \$5,500 debt to a shareholder early for \$3,575, realizing a gain on the extinguishment of \$1,925.

BARWELL SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE C - INCOME TAXES

Following are the components of the Company's provision for income taxes for the year ended November 30, 2001:

Current income tax expense (benefit)	\$ -
Deferred income tax expense (benefit)	<u>(1,075)</u>
Total provision (benefit) for income taxes	<u>\$ (1,075)</u>

The deferred tax asset arises from approximately \$101,000 of unused net operating loss carryforwards available at November 30, 2001. Those net operating loss carryforwards begin to expire in 2004.

NOTE D - COMMITMENTS

The Company leases its office under an operating lease requiring monthly rental payments of \$1,350. Office lease expense for the year ended November 30, 2001 totaled \$20,536. The lease expires on July 31, 2002.

NOTE E - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At November 30, 2001, the Company had net capital of \$45,500, which was \$40,500 in excess of its required net capital of \$5,000. The Company's aggregate indebtedness to net capital ratio was .12 to 1.



SMITH. P.C.

To the Board of Directors
Barwell Securities Corporation

David W. Hurst, CPA
Kathleen A. Koenig, CPA
Robert R. McGowen, CPA
Michael W. McNichols, CPA
Thomas J. Pflanz, CPA
John A. Schmidt, CPA
Daniel A. Schwarz, CPA
S. James Smith, CPA

In planning and performing our audit of the financial statements of Barwell Securities Corporation for the year ended November 30, 2001, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal controls. However, we noted a certain matter involving internal controls and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, we reviewed the practices and procedures followed by the Company in making periodic computations of the minimum financial requirements pursuant to Rule 17a-3 and CFTC Regulation 1.17.

Because of the Company's size, one individual handles cash receipts and disbursements, general ledger posting and bank reconciliations. Internal accounting controls used by larger corporations would generally preclude any one employee from performing all of these functions. Due to the limited size of the Company's staff, adequate segregation of incompatible accounting duties is not feasible. This increases the risk that errors or irregularities could occur and not be detected in a timely manner. To help mitigate the risks in such a situation, it is important for management and owners to review the information generated by the employees for any unusual features or deviations from expected results.

A material weakness is a reportable condition in which the design or operation of one or more of internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal controls would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the lack of segregation of incompatible accounting duties is a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Company and its regulators and is not intended to be and should not be used by anyone other than these specified users.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
December 18, 2001

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