



Jones & Babson, Inc.

*(a wholly-owned subsidiary of Business Men's
Assurance Company of America)*

**Consolidated Statement of Financial Condition
with Report of Independent Accountants**

December 31, 2001

Jones & Babson, Inc.
*(a wholly-owned subsidiary of
Business Men's Assurance Company of America)*

Consolidated Statement of Financial Condition

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Report of Independent Accountants

To the Board of Directors and Stockholder of
Jones & Babson, Inc.

In our opinion, the accompanying consolidated statement of financial condition presents fairly, in all material respects, the financial position of Jones & Babson, Inc. and its subsidiary 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 consolidated statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated statement of financial condition presentation. We believe that our audit of the consolidated statement of financial condition provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

January 25, 2002

Jones & Babson, Inc.
(a wholly-owned subsidiary of
Business Men's Assurance Company of America)

Consolidated Statement of Financial Condition
December 31, 2001

Assets

Current assets:

Cash and cash equivalents	\$ 1,712,944
Fees receivable	1,471,357
Investments, at market	5,149,220
Prepaid expenses	212,682
Prepaid pension cost	241,156
Total current assets	<u>8,787,359</u>

Leasehold improvements, furniture and equipment, at cost, less accumulated depreciation and amortization of \$1,891,133	243,586
Total assets	<u>\$ 9,030,945</u>

Liabilities and stockholder's equity

Current liabilities:

Accounts payable and accrued liabilities	\$ 1,010,299
Employee benefits payable	221,072
Accrued income taxes	643,969
Deferred income taxes	102,461
Total current liabilities	<u>1,977,801</u>

Deferred compensation payable	483
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Stockholder's equity:

Common stock, \$1 par value, 60,000 shares authorized, and 500 shares issued and outstanding	500
Paid-in capital	749,500
Retained earnings	6,302,661
Total stockholder's equity	<u>7,052,661</u>
Total liabilities and stockholder's equity	<u>\$ 9,030,945</u>

See accompanying notes.

Jones & Babson, Inc.
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Business Men's Assurance Company of America)*

Notes to Consolidated Statement of Financial Condition (continued)

1. Ownership and Nature of Business

Jones & Babson, Inc. (the Company) is a wholly-owned subsidiary of Business Men's Assurance Company of America (BMA), a Missouri-domiciled life and health insurance company. The consolidated statement of financial condition include the accounts of the Company and its wholly-owned subsidiary, Investors Mark Advisors, LLC (IMA), a Delaware limited liability company. All intercompany accounts and transactions have been eliminated.

The Company is registered as a broker/dealer with the Securities and Exchange Commission, is a member of the National Association of Securities Dealers, Inc. and is a Registered Investment Advisor with the Securities and Exchange Commission under the Investment Advisor's Act of 1940. The Company provides management, supervisory and administrative functions and serves as the principal underwriter for the Babson and J&B family of mutual funds. The Company provides administrative functions and serves as the principal underwriter for the Buffalo family of mutual funds. The Company primarily markets those funds in the United States and it employs independent investment advisory firms to assist in its investment management responsibilities.

IMA serves as the investment advisor for the Investors Mark Series Fund, Inc. (the Fund) and is a Registered Investment Advisor with the Securities and Exchange Commission under the Investment Advisor's Act of 1940. The Fund is comprised of a series of nine investment portfolios that serve as investment options for BMA's Clarity Variable Annuity product.

2. Summary of Significant Accounting Policies

Cash Equivalents

Cash equivalents consist of money market mutual funds for which the Company serves as principal underwriter and investment advisor for which cost equals market.

Investments

Investments represent shares of mutual funds for which the Company serves as principal underwriter. Such investments are carried at market value based on the underlying net asset value of the related mutual funds. The changes in market value of such investments are included in income during the period in which the changes occur.

Income Taxes

The Company files a consolidated federal income tax return with BMA and a separate state income tax return. The income tax accruals of the Company are calculated as if it were filing a separate company return.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Risk and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least possible that changes in risks in the near term would materially affect the amounts reported in the consolidated financial statements.

3. Employee Benefit Plans

Substantially all employees of the Company are eligible to participate in the BMA Employees' Retirement Plan (the Plan). The Plan invests primarily in equity securities.

The following table sets forth the Company's portion of the Plan's funded status at December 31, 2001:

Actuarial present value:	
Benefit obligation at December 31	\$ 1,716,240
Fair value of plan assets at December 31	2,916,890
Overfunded status	<u>\$ 1,200,650</u>
Prepaid pension cost recognized in the consolidated statement of financial condition	<u>\$ 241,156</u>

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present values of the projected benefit obligation were 7.5% and a graded scale of 7.25% to 3.25%. The expected long-term rate of return on assets was 8.0%.

The Company also participates in BMA's defined contribution plan organized under Section 401(k) of the Internal Revenue Code. BMA's plan, which covers substantially all employees of the Company, allows all qualifying employees to contribute on a salary reduction basis up to 15% of their gross earnings subject to IRS statutory limitations. The Company will match 100% of the employee contributions up to a maximum employee contribution of 2.5% of the employee's salary and may contribute additional discretionary amounts to the plan as determined annually.

In addition to the Company's other benefit plans, the Company also participates in BMA's supplemental retirement plan for senior executive officers and BMA's defined benefit health care plan for retirees. The supplemental retirement plan is not qualified under Section 401(a) of the Internal Revenue Code and is not prefunded. Benefits are paid directly by BMA as they become due.

The defined health care plan is unfunded and provides postretirement medical benefits to certain full-time employees that meet minimum age and service requirements. The plan is contributory with retiree contributions adjusted annually. Employer costs are paid directly by BMA.

4. Deferred Compensation

The Company has recorded the present value of the estimated liability arising from deferred compensation agreements with certain of its former executive officers and directors. The agreements provide for monthly payments for life upon attaining retirement age or for a maximum period of 10 years to a surviving spouse. The liability has not been funded by the Company. At December 31, 2001, the current and long-term portion of the deferred compensation liability was \$18,000 and \$483, respectively. The current portion is included in Employee Benefits Payable.

5. Income Taxes

At December 31, 2001, deferred income tax assets amounted to \$42,527 and deferred income tax liabilities were \$144,988 due to temporary differences in the determination of income for financial statement purposes and income tax purposes. Such temporary differences relate principally to deferred compensation, pension accrual, depreciation and other assets. These amounts are shown net in the Consolidated Statement of Financial Condition.

6. Related Party

The Company's principal office is located in facilities owned by BMA. No occupancy costs have been allocated by BMA to the Company.

7. Net Capital Requirements

Jones & Babson, Inc. (parent company) is subject to the Securities and Exchange Commission's 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 shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$5,225,072, which was \$5,068,120 in excess of its required net capital of \$156,952. The Company's ratio of aggregate indebtedness to net capital was .45 to 1 at that date.

8. Concentration of Credit Risks

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash.

The Company maintains its cash account with one financial institution. The cash balance is insured by the FDIC up to \$100,000. The Company had cash on deposit at December 31, 2001 that exceeded the balance insured by the FDIC in the amount of \$230,303. The company also maintains \$1,382,641 in money market mutual funds that are not insured by the FDIC. (See Note 2.)