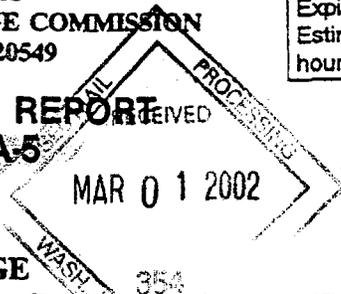




02005429

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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



OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response . . . 12.00

SEC FILE NUMBER
8- 51520

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 01/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

CROFT & BENDER LLC

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

4200 NORTHSIDE PARKWAY NW, BUILDING ONE, SUITE 100

(No. and Street)

ATLANTA

GEORGIA

30327

(City)

(State)

(Zip Code)

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

THEODORE J. BENDER, III

404-841-3131

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

WINDHAM BRANNON, P.C.

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

1355 PEACHTREE STREET NW, SUITE 200, ATLANTA

GEORGIA

30309

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

PROCESSED

MAR 20 2002

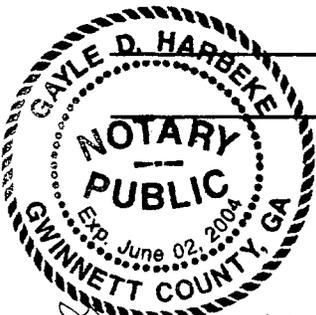
FOR OFFICIAL USE ONLY	THOMSON FINANCIAL
-----------------------	----------------------

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

Handwritten: 143-1802

OATH OR AFFIRMATION

I, THEODORE J. BENDER, III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CROFT & BENDER LLC, 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:



Signature of Notary Public: Gayle D. Harbeke

Signature: T J Bender
Title: Managing Director

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

- (a) Facing page.
(b) Balance Sheet.
(c) Statement of Income (Loss).
(d) Statement of Cash Flow.
(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).

CROFT & BENDER LLC

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY DATA**

December 31, 2001 and 2000

CROFT & BENDER LLC

FINANCIAL STATEMENTS
December 31, 2001 and 2000

CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS:

Balance Sheets

Statement of Income

Statement of Changes in Members' Equity

Statement of Cash Flows

Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY DATA

SUPPLEMENTARY DATA:

Computation of Net Capital

Reconciliation of Members' Equity

Computation of Aggregate Indebtedness as Defined Under Rule 15c3-1

Rule 15c3-3 Matters

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL



W I N D H A M B R A N N O N , P . C .
C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITOR'S REPORT

To The Members
Croft & Bender LLC

We have audited the accompanying balance sheets of Croft & Bender LLC (a Georgia limited liability company) as of December 31, 2001 and 2000, and the related statements of income, changes in members' equity, and cash flows for the year ended December 31, 2001. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 audits provide 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 Croft & Bender LLC as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Windham Brannon, P.C.

Certified Public Accountants

February 15, 2002

CROFT & BENDER LLC

BALANCE SHEETS
December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 606,006	\$ 525,678
Accounts receivable	78,582	75,911
Retainer fees receivable	50,000	55,000
Reimbursable expenses receivable	<u>37,675</u>	<u>41,203</u>
Total Current Assets	772,263	697,792
INVESTMENTS	109,999	191,643
FURNISHINGS AND EQUIPMENT, less accumulated depreciation of \$193,116 for 2001 and \$152,904 for 2000	110,797	140,378
OTHER ASSETS:		
Note receivable	-	25,000
Deposits and unamortized organizational costs	<u>6,302</u>	<u>6,840</u>
Total Assets	<u>\$ 999,361</u>	<u>\$ 1,061,653</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 32,844	\$ 83,650
Unearned management fees	-	91,875
Other current liabilities	<u>13,576</u>	<u>-</u>
Total Current Liabilities	<u>46,420</u>	<u>175,525</u>
MEMBERS' EQUITY:		
Members' capital	40,000	40,000
Retained earnings	922,393	854,942
Unrealized gain (loss) on investment securities	<u>(9,452)</u>	<u>(8,814)</u>
Total Members' Equity	<u>952,941</u>	<u>886,128</u>
Total Liabilities and Members' Equity	<u>\$ 999,361</u>	<u>\$ 1,061,653</u>

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

CROFT & BENDER LLC

STATEMENT OF INCOME
For The Year Ended December 31, 2001

INCOME:

Merger and acquisition fees	\$ 133,876
Private placement and financial advisory fees	1,458,010
Management fees	<u>506,622</u>

Total Income 2,098,508

OPERATING EXPENSE:

Salary expense	1,092,725
Occupancy expense	114,475
Office expense	90,998
Professional fees	130,319
Reimbursable company expenses	21,924
Reimbursed employee expenses	23,434
Depreciation and amortization	40,751
Other operating expenses	<u>33,154</u>

Total Operating Expense 1,547,780

TOTAL OPERATING INCOME 550,728

OTHER INCOME (EXPENSE):

Interest income	5,422
Miscellaneous expense	<u>(168,699)</u>

Total Other Income (Expense) (163,277)

NET INCOME \$ 387,451

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

CROFT & BENDER LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For The Year Ended December 31, 2001

	Members' <u>Capital</u>	Retained <u>Earnings</u>	Accumulated Other Comprehensive <u>Income</u>	Total Members' <u>Equity</u>
BALANCE, December 31, 2000	\$ 40,000	\$ 854,942	\$ (8,814)	<u>\$ 886,128</u>
Comprehensive Income:				
Net income	-	387,451	-	387,451
Other comprehensive income - Change in unrealized gains (losses) on investment securities	-	-	(638)	<u>(638)</u>
Total Comprehensive Income				<u>386,813</u>
Distributions to members	<u>-</u>	<u>(320,000)</u>	<u>-</u>	<u>(320,000)</u>
BALANCE, December 31, 2001	<u>\$ 40,000</u>	<u>\$ 922,393</u>	<u>\$ (9,452)</u>	<u>\$ 952,941</u>

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

CROFT & BENDER LLC

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services	\$ 2,012,490
Cash paid for salaries and other expenses	(1,586,709)
Interest received	<u>5,422</u>
Net Cash Provided By Operating Activities	<u>431,203</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(20,244)
Purchase of furnishings and equipment	<u>(10,631)</u>
Net Cash Used In Investing Activities	<u>(30,875)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Distributions to members	<u>(320,000)</u>
Net Cash Used In Financing Activities	<u>(320,000)</u>
NET INCREASE IN CASH	80,328
CASH, BEGINNING OF YEAR	<u>525,678</u>
CASH, END OF YEAR	<u><u>\$ 606,006</u></u>

(Continued)

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

CROFT & BENDER LLC

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2001

RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

NET INCOME	\$ 387,451
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	40,212
Amortization of organizational costs	538
Decrease in fair market value of investments	101,250
Write-off of note receivable	25,000
Increase in accounts receivable	(2,671)
Decrease in retainer fees receivable	5,000
Decrease in reimbursable expenses receivable	3,528
Decrease in accounts payable and other current liabilities	(37,230)
Decrease in unearned management fees	<u>(91,875)</u>
Net Cash Provided By Operating Activities	<u>\$ 431,203</u>

NONCASH INVESTING AND FINANCING ACTIVITIES

In 2001, the Company recorded changes in unrealized gains/losses in readily marketable investments of \$638. In addition, during 2001 the Company adjusted the carrying values of its investments that are not readily marketable down by approximately \$101,000 to more accurately reflect fair market value.

In 2001, the Company wrote-off a note receivable of \$25,000 determined to be uncollectible.

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

CROFT & BENDER LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Croft & Bender LLC (the "Company") began operations in 1996 and is engaged in the business of providing financial advisory services, including raising private equity and equity related capital for companies, and assisting companies with mergers and acquisitions. The Company also organized and manages C&B Capital, L.P., a Delaware Limited Partnership formed in 2000. The Company's members are the members of C&B Capital GP, LLC, the general partner of C&B Capital, L.P. The Company is registered with the Securities and Exchange Commission and the National Association of Securities Dealers as a broker-dealer. Following are the significant accounting policies used by the Company in the preparation of its financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Income Taxes

The Company is a limited liability company and, as such, its earnings flow through directly to the members. Differences existing in the book and tax basis of assets and liabilities relate primarily to differences in revenue recognition policies for financial reporting and tax purposes.

Revenue and Expense Recognition

The Company enters into engagement agreements with various corporate clients to assist in obtaining financing for such companies or to assist them with a merger or acquisition. These engagements may span one or more years. Revenue is generated through retainer and other fees for advisory services, and success fees for completed private placement financing and merger and acquisition transactions. Advisory service fees are considered to be earned when the terms of the agreement have been satisfied and are recognized by the Company at the time billings are made. Contingent fees related to successful financing and merger and acquisition transactions are recognized when the transactions are closed. Approximately five financing and merger and acquisition engagement agreements with various clients were open at December 31, 2001. Approximately five were open at December 31, 2000.

CROFT & BENDER LLC

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

The Company recognizes management fees from C&B Capital, L.P. as they are earned by the daily performance of management functions. The Company earned fees of approximately \$506,000 from C&B Capital, L.P. during 2001.

Direct expenses that are reimbursable by clients are typically recorded as a receivable and billed to the client. When payment is received from the client, the receivable is adjusted. Reimbursable expenses are written off when they are deemed to be uncollectible.

Cash

Cash represents withdrawable deposits in a bank located in Georgia.

Investments

Investments consist of equity securities, primarily those of the Company's clients. Investments that are not readily marketable are \$105,949 at December 31, 2001 and \$186,955 at December 31, 2000, and are carried at cost. If an active quoted market exists for specific securities, those securities are carried at estimated fair value. Securities having a cost of \$13,350 at December 31, 2001 and \$13,467 at December 31, 2000 were carried at estimated fair values of \$4,050 and \$4,688 at December 31, 2001 and 2000, respectively. The difference between the fair values of these securities at December 31, 2001 and 2000 represents an unrealized holding loss of \$638.

Warrants

Warrants representing partial payment for the Company's services are sometimes issued to the Company by clients. At December 31, 2001, the Company was the holder of warrants which expire on various dates through 2008. Warrants, and the stock to be received upon exercise of the warrants, are not valued unless there is a ready market for the warrants or their underlying securities.

2. RELATED PARTY TRANSACTIONS

The members of the Company sit on the Boards of Directors of various clients of the Company. Additionally, from time to time, the Company enters into commercial arrangements with clients or vendors whose principal officer or owner is related to a member of the Company.

CROFT & BENDER LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

3. FURNISHINGS AND EQUIPMENT

Furnishings and equipment, carried at cost less accumulated depreciation, consist of leasehold improvements, furniture and fixtures and office equipment. Depreciation is provided using straight-line and accelerated methods over useful lives of three to ten years.

4. SIMPLIFIED EMPLOYEE PENSION PLAN

The Company has adopted a Simplified Employee Pension Plan that covers substantially all employees. Employees contribute to the plan by elected salary reductions. The Company may contribute discretionary amounts as part of the employees' incentive compensation. The Company's contribution to the plan was \$26,440 in 2001.

5. FUTURE PAYMENTS UNDER OPERATING LEASES

The Company has various operating lease agreements for office space and certain office equipment. Rental expense for 2001 was \$113,886. The minimum future rental payments under these leases are as follows:

<u>Year</u>	<u>Amount</u>
2002	\$ 114,492
2003	117,667
2004	118,771
2005	<u>9,379</u>
Total minimum future rental payments	<u>\$ 360,309</u>

6. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Net Capital Rule (Rule 15c3-1), which requires that the ratio of aggregate indebtedness to net capital (as these terms are defined in the Rule) not exceed fifteen to one. Net capital and the net capital ratio fluctuate on a daily basis. However, as of December 31, 2001, the ratio of aggregate indebtedness to net capital was 0.08 to 1, and net capital was \$559,586.



W I N D H A M B R A N N O N , P . C .

C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY DATA

To The Members
Croft & Bender LLC

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 aggregate indebtedness, and computation for determination of reserve requirements at December 31, 2001, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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.

Windham Brannon, P.C.

Certified Public Accountants

February 15, 2002

CROFT & BENDER LLC

SUPPLEMENTARY DATA

December 31, 2001

COMPUTATION OF NET CAPITAL

Members' equity, December 31, 2001	\$ 952,941
Less non-allowable assets	<u>393,355</u>
Net Capital	<u>\$ 559,586</u>

RECONCILIATION OF MEMBERS' EQUITY

Members' equity, Form 17A-5, Part IIA, as amended	\$ 952,941
Audited financial statement adjustments	<u>-</u>
Members' Equity per Audited Financial Statements	<u>\$ 952,941</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS
AS DEFINED UNDER RULE 15c3-1

Accounts payable and other current liabilities	\$ 46,420
Unearned management fees	<u>-</u>
Total Aggregate Indebtedness	<u>\$ 46,420</u>
Ratio of Aggregate Indebtedness to Net Capital	<u>0.08 to 1</u>

CROFT & BENDER LLC

SUPPLEMENTARY DATA

December 31, 2001

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15c3-3 AND INFORMATION
RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS
UNDER RULE 15c3-3

The provisions of the aforementioned rule are not applicable to Croft & Bender LLC because the Company carries no margin accounts, does not hold funds or securities for, or owe money or securities to, customers. Croft & Bender LLC is therefore exempt under the provisions of Rule 15c3-3(k)(2)(i).



W I N D H A M B R A N N O N , P . C .

C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To The Members
Croft & Bender LLC

In planning and performing our audit of the financial statements and supplemental schedules of Croft & Bender LLC (the "Company"), for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by Rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the

Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional objectives of the practices and procedures listed above.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors 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. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the use of the Members, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

Windham Kramer, P.C.

Certified Public Accountants

February 15, 2002