



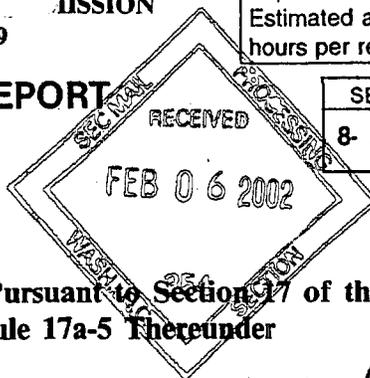
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SECURITIES MISSION  
Washington, D.C. 20549

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19  
2/8/02

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



SEC FILE NUMBER  
8-019935

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:

CAPITAL MANAGEMENT CONSULTANTS INC.

OFFICIAL USE ONLY

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

3400 DUNDEE ROAD SUITE 200

(No. and Street)

NORTHBROOK

IL

60062

(City)

(State)

(Zip Code)

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

RAYMOND O SCHMITT

847 498 8899

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

CHARLES GILGIBY & CO

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

8605 W BRYN MAWR

CHICAGO

IL

60631

(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 12 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 initials

OATH OR AFFIRMATION

I, RAYMOND O SCHMITZ, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CAPITAL MANAGEMENT CONSULTANTS INC., 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:

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



Grace E. Breisch

Notary Public

Raymond O. Schmitz  
Signature

PRESIDENT  
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).

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

BROKER OR DEALER CAPITAL MANAGEMENT CONSULTANTS INC. **N 3** 100

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

as of (MM/DD/YY) 12/31/01 99  
 SEC FILE NO. 019935 98  
 Consolidated 198  
 Unconsolidated 199

**ASSETS**

	<u>Allowable</u>		<u>Non-Allowable</u>		<u>Total</u>
1. Cash .....	\$ <u>9708</u>	200			\$ <u>9708</u> 750
2. Receivables from brokers or dealers:					
A. Clearance account .....		295			
B. Other .....		300	\$ <u>6493</u>	550	\$ <u>6493</u> 810
3. Receivables from non-customers .....		355		600	830
4. Securities and spot commodities owned, at market value:					
A. Exempted securities .....	<u>21106</u>	418			
B. Debt securities .....		419			
C. Options .....		420			
D. Other securities .....		424			
E. Spot commodities .....		430			<u>21106</u> 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 \$ .....		150			
B. Other securities \$ .....		160			
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	<u>90</u>	670	<u>90</u> 910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....		490	<u>3128</u>	680	<u>3128</u> 920
11. Other assets .....		535	<u>5876</u>	735	<u>5876</u> 930
12. TOTAL ASSETS .....	\$ <u>30814</u>	540	\$ <u>15587</u>	740	\$ <u>46401</u> 940

OMIT PENNIES

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

BROKER OR DEALER CAPITAL MANAGEMENT CONSULTANTS INC as of 12/31/01

**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>
13. Bank loans payable . . . . .	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account . . . . .	1114	1315	1560
B. Other . . . . .	1115	1305	1540
15. Payable to non-customers . . . . .	1155	1355	1610
16. Securities sold not yet purchased, at market value . . . . .		1360	1620
17. Accounts payable, accrued liabilities, expenses and other . . . . .	6395 1205	1385	6395 1685
18. Notes and mortgages payable:			
A. Unsecured . . . . .	1210		1690
B. Secured . . . . .	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$ . . . . .	970		1710
2. Includes equity subordination (15c3-1 (d)) of . . . . . \$ . . . . .	980		
B. Securities borrowings, at market value: . . . . .		1410	1720
from outsiders \$ . . . . .	990		
C. Pursuant to secured demand note collateral agreements: . . . . .		1420	1730
1. from outsiders: \$ . . . . .	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
20. TOTAL LIABILITIES . . . . .	\$ 6395 1230	\$ 1450	\$ 6395 1760

**Ownership Equity**

21. Sole proprietorship . . . . .		\$ 1770	
22. Partnership (limited partners . . . . .	\$ 1020		\$ 1780
23. Corporation:			
A. Preferred stock . . . . .			1791
B. Common stock . . . . .		14500	1792
C. Additional paid-in capital . . . . .		6500	1793
D. Retained earnings . . . . .		19006	1794
E. Total . . . . .		40006	1795
F. Less capital stock in treasury . . . . .			1796
24. TOTAL OWNERSHIP EQUITY . . . . .		\$ 40006	\$ 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY . . . . .		\$ 46401	\$ 1810

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

BROKER OR DEALER

*CAPITAL MANAGEMENT CONSULTANTS LLC*

as of

12/31/01

**COMPUTATION OF NET CAPITAL**

1. Total ownership equity from Statement of Financial Condition	\$	40,006	3480
2. Deduct ownership equity not allowable for Net Capital	19		3490
3. Total ownership equity qualified for Net Capital		40,006	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	40,006	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	17	15587	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
7. Other additions and/or allowable credits (List)		15587	3620
8. Net capital before haircuts on securities positions	20		3630
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	18	1477	3735
2. Debt securities			3733
3. Options			3730
4. Other securities			3734
D. Undue Concentration			3650
E. Other (List)			3736
10. Net Capital	\$	22942	3740
			3750

OMIT PENNIES

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

BROKER OR DEALER

*CAPITAL MANAGEMENT CONSULTANTS INC*

as of 12/31/01

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19)	\$	<u>427</u>	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)	\$	<u>5000</u>	3758
13. Net capital requirement (greater of line 11 or 12)	\$	<u>5000</u>	3760
14. Excess net capital (line 10 less 13)	\$	<u>17942</u>	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$		3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.L. liabilities from Statement of Financial Condition	\$	<u>6345</u>	3790
17. Add:			
A. Drafts for immediate credit	\$	<u>3800</u>	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	<u>3810</u>	
C. Other unrecorded amounts (List)	\$	<u>3820</u>	
19. Total aggregate indebtedness	\$	<u>6345</u>	3830
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	<u>28</u>	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	<u>28</u>	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
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess net capital (line 10 less 24)	\$		3910
26. Net capital in excess of: 5% of combined aggregate debit items or \$120,000	\$		3920

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**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.

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

**BROKER OR DEALER**

*CAPITAL MANAGEMENT CONSULTANTS INC*

For the period (MMDDYY) from 1/1/01 3932 to 12/31/01 3933  
Number of months included in this statement 12 3931

**STATEMENT OF INCOME (LOSS)**

**REVENUE**

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$		3935
b. Commissions on listed option transactions	\$		3938
c. All other securities commissions			3939
d. Total securities commissions			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		82404	3970
6. Commodities revenue			3990
7. Fees for account supervision, investment advisory and administrative services		344964	3975
8. Other revenue		1152	3995
9. Total revenue		428511	4030

**EXPENSES**

10. Salaries and other employment costs for general partners and voting stockholder officers		\$	6000	4120
11. Other employee compensation and benefits		\$	349231	4115
12. Commissions paid to other broker-dealers				4140
13. Interest expense				4075
a. Includes interest on accounts subject to subordination agreements			4070	
14. Regulatory fees and expenses			5899	4195
15. Other expenses			63713	4100
16. Total expenses		\$	424843	4200

**NET INCOME**

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)		\$	3668	4210
18. Provision for Federal income taxes (for parent only)		\$	1525	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			2143	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		\$	2143	4230

**MONTHLY INCOME**

23. Income (current month only) before provision for Federal income taxes and extraordinary items		\$	(25200)	4211
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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**

*CAPITAL MANAGEMENT CONSULTANTS INC*

For the period (MMDDYY) from 11/1/01 to 12/31/01

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

1. Balance, beginning of period .....	\$	<u>37848</u>	4240
A. Net income (loss) .....		<u>2143</u>	4250
B. Additions (Includes non-conforming capital of .....	\$	<u>Round 26</u>	4260
C. Deductions (Includes non-conforming capital of .....	\$	<u>15</u>	4270
2. Balance, end of period (From item 1800) .....	\$	<u>40006</u>	4290

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

3. Balance, beginning of period .....	\$	<u>N/A</u>	4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....	\$		4330

OMIT PENNIES

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

BROKER OR DEALER \_\_\_\_\_

as of \_\_\_\_\_

**Exemptive Provision Under Rule 15c3-3**

3. 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 4335 ..... 4570
- D. (k) (3)—Exempted by order of the Commission ..... 4580

**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 Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)	
▼ 4600		4601	4602	4603	4604	4605
▼ 4610		4611	4612	4613	4614	4615
▼ 4620		4621	4622	4623	4624	4625
▼ 4630		4631	4632	4633	4634	4635
▼ 4640		4641	4642	4643	4644	4645
▼ 4650		4651	4652	4653	4654	4655
▼ 4660		4661	4662	4663	4664	4665
▼ 4670		4671	4672	4673	4674	4675
▼ 4680		4681	4682	4683	4684	4685
▼ 4690		4691	4692	4693	4694	4695
<b>TOTAL \$</b> <span style="border: 1px solid black; padding: 2px;">4699</span>						

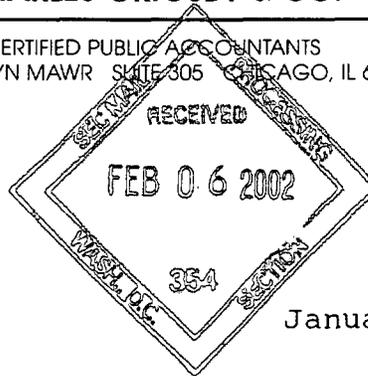
OMIT PENNIES

**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

**CHARLES GRIGSBY & CO.**

CERTIFIED PUBLIC ACCOUNTANTS  
8605 W. BRYN MAWR SUITE 305 CHICAGO, IL 60631



January 20, 2002

National Association of  
Securities Dealers, Inc.  
Suite 2700  
55 West Monroe  
Chicago, Illinois 60603-5001

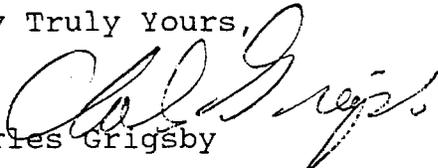
RE: Capital Management  
Consultants, Inc.  
Northbrook, Illinois

Supervisor or Examiners:

Per your request we are hereby reporting no differences in the computation of net capital between unaudited Part IIA as previously submitted by Capital Management Consultants, Inc. and the audited Part IIA for the audit period January 1 through December 31, 2001.

No material inadequacies existed for the audit period January 1 through December 31, 2001.

Very Truly Yours,

  
Charles Grigsby

CC: Raymond O. Schmitt

**CHARLES GRIGSBY & CO.**

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CERTIFIED PUBLIC ACCOUNTANTS  
8605 W. BRYN MAWR SUITE 305 CHICAGO, IL 60631

Board of Directors

Capital Management Consultants, Inc.  
Northbrook, Illinois

We have audited the accompanying statement of financial condition of Capital Management Consultants, Inc. as of December 31, 2001 and the related statements of income, changes in stockholders' 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 audit 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 statement is free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in 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 statement referred to above presents fairly, in all material respects, the financial position of Capital Management Consultants, Inc. as of December 31, 2001 and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Chicago, Illinois  
January 20, 2002



CAPITAL MANAGEMENT CONSULTANTS, INC.  
BALANCE SHEET  
DECEMBER 31, 2001

ASSETS

Current Assets:

Cash - Checking Account	\$	9,708	
Short-Term Investment ( Note 5 )		21,106	
Accounts Receivable		6,493	
Prepaid Expenses		5,876	
Advance-Affiliate		<u>90</u>	
Total Current Assets			\$ 43,273

Other Assets:

Equipment Net of Accumulated Depreciation		3,128	
		<u>46,401</u>	
			=====

LLIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Advisory Fee Payable		4,870	
Accrued Income Tax		<u>1,525</u>	
Total Current Liabilities			6,395

Shareholders' Equity:

Common Stock		14,500	
Paid-in-Capital		6,500	
Retained Earnings		<u>19,006</u>	
Total Shareholders' Equity			40,006
			<u>46,401</u>
			=====

See Notes to Financial Statements

CAPITAL MANAGEMENT CONSULTANTS, INC.  
 STATEMENT OF EARNINGS FROM OPERATIONS AND RETAINED EARNINGS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

REVENUES:	
Commission and Advisory Income	\$ 427,359
Dividend and Interest Income	<u>1,152</u>
	428,511
OPERATING EXPENSES:	
Salary-Officers	6,000
Advertising and Brochures	200
Professional Fees	4,870
Filing Fees	5,899
Insurance	9,532
Office Costs	16,996
Telephone	1,547
Dues, Subscriptions	981
Promotion	7,564
Occupancy Expense	3,600
Payroll Tax	507
Seminar	967
Computer Usage	13,226
Commissions	349,230
Newsletter, Postage & Printing	2,791
Depreciation & Amortization	<u>933</u>
	424,843
Net Income From Operations Before Income Tax	3,668
Provision For Income Tax	1,525
Net Income From Operations	2,143
Retained Earnings- Beginning of Year	16,863
Retained Earnings-End of Year	19,006
	=====

See Notes To Financial Statements

CAPITAL MANAGEMENT CONSULTANTS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD JANUARY 1, 2001 THROUGH DECEMBER 31, 2001

Cash Resources Provided By:

Net Income for the Year		\$ 2,143
Items Not Requiring the Use of Cash-		
Depreciation and Amortization	\$ 933	
Acquisition of Equipment	( 485)	
Changes In Operating Assets & Liabilities:		
Increase in Accounts Receivable	(2,632)	
Increase in Pre-Paid Expenses	(1,567)	
Decrease in Advance-Affiliate	3,379	
Increase in Short-Term Investment	(1,152)	
Increase in Income Tax Payable	325	
Increase in Advisory Fee Payable	<u>2,002</u>	803
Cash Provided By Operating Activities		2,946
CASH BALANCE - BEGINNING OF YEAR		<u>6,762</u>
CASH BALANCE - END OF YEAR		9,708 =====

See Notes To Financial Statements

CAPITAL MANAGEMENT CONSULTANTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES-BUSINESS ACTIVITY

The Company is a registered broker dealer and a member of the National Association of Securities Dealers, Inc. It has been registered with the Security Exchange Commission and the State of Illinois Securities Department. The Company was incorporated under laws of the state of Illinois on September 1, 1987.

NOTE 2 - FEDERAL INCOME TAX EXPENSE

The Company has provided for \$ 1,525 income tax expense. The current period income of \$ 3,668 at a 22.5% marginal tax rate for income tax purposes adjusted for 50% of promotion expenses.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to rule 15c 3-1 of the Securities Exchanges Act of 1934 which requires the Company to maintain a ratio of aggregate indebtedness to net capital, as defined, not to exceed 8 to 1. In addition, net capital shall not be less than \$5,000. At December 31, 2001 net capital was \$ 22,942 the ratio of aggregate indebtedness to net capital was 28 %.

NOTE 4 -SHORT-TERM INVESMENTS

The Company has an investment in a money market account the principal investments of which consist of governmental obligations. The asset is valued at historical cost which equal to a market value of \$ 21,106.