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

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

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:  
Carnegie, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
20 West 55th Street  
(No. and Street)

New York New York 10019  
(City) (State) (Zip Code)

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

James T. Cirenza, President (212) 262-5800  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Regen, Benz, MacKenzie & Anopolsky, CPA's PC  
(Name - if individual, state last, first, middle name)

317 Madison Avenue New York New York 10017  
(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 27 2002

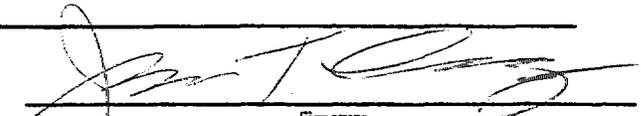
FOR OFFICIAL USE ONLY  
THOMSON FINANCIAL

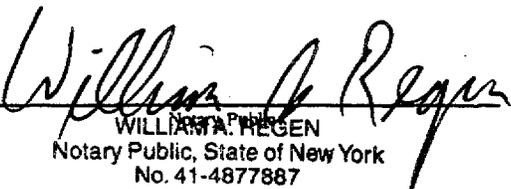
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, James T. Cirenza, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Carnegie, 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:

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

  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
President  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
WILLIAM A. REAGEN  
Notary Public, State of New York  
No. 41-4877887  
Qualified in Queens County  
Commission Expires Nov. 3, 2002

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~~ Cash Flows
- (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).



Regen Benz MacKenzie & Anopolsky

INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Carnegie, Inc.  
New York, New York

We have audited the accompanying statement of financial condition of Carnegie, Inc. (a wholly owned subsidiary of D. Carnegie AB) as of December 31, 2001 and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, 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 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.

The company is affiliated with other companies in the same line of business, all of which are controlled by a common parent. As discussed in Note 4, the company and its affiliates have engaged in significant transactions with each other.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carnegie, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III and IV is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. 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.

New York, New York  
January 18, 2002

*Regen, Benz, MacKenzie & Anopolsky, CPAs, P.C.*

REGEN, BENZ, MACKENZIE & ANOPOLSKY, C.P.A.'S, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

317 MADISON AVENUE NEW YORK, NEW YORK 10017  
TELEPHONE 212.661.2720 FACSIMILE 212.681.6140

CARNEGIE, INC.  
(a wholly owned subsidiary  
of D. Carnegie AB)

FINANCIAL STATEMENTS

DECEMBER 31, 2001

CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

ASSETS

Current Assets

Cash (Note 3)	\$ 4,724,890
Commissions Receivable (Note 4)	668,665
Receivables From Brokers or Dealers and Clearing Organizations (Note 5)	2,162,144
Other Receivables	3,941
Prepaid Expenses	26,657
Prepaid Taxes and Taxes Receivable (Note 12)	<u>174,536</u>
Total Current Assets	<u>7,760,833</u>

Fixed Assets

Furniture, Equipment and Leasehold Improvements at cost, less accumulated depreciation and amortization of \$619,414 (Note 6)	<u>948,516</u>
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TOTAL ASSETS \$ 8,709,349

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities

Accounts Payable and Accruals	\$ 4,348,809
Interest Payable (Note 8)	161,486
Rent Abatement	60,156
Securities Sold But Not Yet Received, at market values (Note 5)	<u>2,162,144</u>
Total Current Liabilities	6,732,595

Long-Term Liabilities

Liabilities Subordinated to Claims of General Creditors (Note 8)	<u>3,700,000</u>
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Total Liabilities 10,432,595

Commitments and Contingent Liabilities ( Notes 9 and 10)

Stockholder's Equity

Capital Stock (Note 11)	1
Paid-in Capital	499,999
Accumulated Deficit	<u>(2,223,246)</u>

Total Stockholder's Equity (1,723,246)

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$ 8,709,349

See accountants' audit report  
and accompanying notes to financial statement

Regen Benz MacKenzie & Anopolsky

CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2001

<u>REVENUE</u>	
Commission Income	\$ 11,001,390
Fee Income	1,038,430
Interest Income	89,976
Trading Loss	(88,490)
Foreign Exchange Losses	<u>(57,280)</u>
Total Income	<u>11,984,026</u>
<u>OPERATING EXPENSES</u>	
Settlement Costs	3,406,212
Salaries	7,167,531
Office Rent and Utilities	204,224
Payroll Taxes	87,769
Employees' Benefits (Note 9)	405,363
Employee Accommodations	24,963
Commercial Rent Tax	3,936
Insurance	47,266
Research	22,399
Depreciation and Amortization	255,602
Repairs and Maintenance	6,018
Office Expenses	206,826
Telephone and Communication	439,952
Machine Rental and Maintenance	101,929
Professional and Legal Fees	784,119
Travel and Entertainment	761,766
Regulatory Fees	15,999
Dues and Subscriptions	10,678
Charitable Contributions	41,710
Bank Service Charges	2,652
Seminars	2,837
Relocation Costs	70,108
Interest Expense (Note 8)	85,861
Miscellaneous	<u>2,608</u>
Total Operating Expenses	<u>14,158,328</u>
Net Loss From Operations	(2,174,302)
Recovery of Taxes on Income (Note 12)	<u>152,057</u>
Net Loss for the Year Ended December 31, 2001	<u>\$ (2,022,245)</u>

See accountants' audit report  
and accompanying notes to financial statements.

CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Capital Stock</u>	<u>Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balances, January 1, 2001	\$ 1	\$ 499,999	\$ ( 201,001)	\$ 298,999
Net Loss - Year Ended December 31, 2001	<u>-</u>	<u>-</u>	<u>(2,022,245)</u>	<u>(2,022,245)</u>
Balances, December 31, 2001	<u>\$ 1</u>	<u>\$ 499,999</u>	<u>\$(2,223,246)</u>	<u>\$ (1,723,246)</u>

See accountants' audit report  
and accompanying notes to financial statements.

Regen Benz MacKenzie & Anopolsky

CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Subordinated liabilities at January 1, 2001	\$ 1,500,000
Increase	<u>2,200,000</u>
Subordinated liabilities at December 31, 2001	\$ <u>3,700,000</u>

See accountants' audit report  
and accompanying notes to financial statements.

Regen Benz MacKenzie & Anopolsky

CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Cash Flows From Operating Activities:	
Net Loss	\$ (2,022,245)
Adjustments to Reconcile Net Loss to	
Net Cash Used in Operating Activities:	
Depreciation and Amortization	255,602
Increase in Commissions Receivable	( 435,552)
Increase in Other Receivables	( 1,515)
Decrease in Prepaid Expenses	6,417
Increase in Prepaid Taxes and Taxes Receivable	( 174,536)
Decrease in Security Deposits	7,500
Decrease in Accounts Payable and Accruals	( 467,583)
Increase in Interest Payable	85,861
Decrease in Rent Abatement	( 16,042)
Decrease in Deferred Taxes Payable	<u>( 7,954)</u>
Net Cash Used In Operating Activities	<u>(2,770,047)</u>
Cash Flows From Investing Activities:	
Sale of Securities	1,998,080
Purchase of Fixed Assets	<u>( 159,453)</u>
Net Cash Provided By Investing Activities	<u>1,838,627</u>
Cash Flows From Financing Activities:	
Increase in Subordinated Loan	<u>2,200,000</u>
Net Increase in Cash	1,268,580
Cash - Beginning of Year	<u>3,456,310</u>
Cash - End of Year	<u>\$ 4,724,890</u>

Supplemental Disclosures of Cash Flow Information:

Cash Paid During the Year for:

Taxes	\$ <u>35,730</u>
Interest	\$ <u>-0-</u>

See accountants' audit report  
and accompanying notes to financial statements.

Regen Benz MacKenzie & Anopolsky

CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

1- ORGANIZATION

Carnegie, Inc. ("Carnegie") is a Delaware Corporation which was incorporated on September 19, 1986. Carnegie is a wholly owned subsidiary of D. Carnegie AB, a Swedish Corporation which is owned by Carnegie Holding AB.

Carnegie was a broker/dealer until February 28, 1992, when it surrendered its license. Carnegie reapplied for its broker/dealer license on January 4, 1993. The license was re-issued to Carnegie, Inc. by the National Association of Securities Dealers ("NASD") on May 21, 1993.

All securities transactions represent the sale of foreign securities. All foreign securities commissions are generated through related companies. Settlement of foreign securities transactions are through related companies.

Carnegie does not maintain any customer accounts, as defined by Rule 15c3-3 of the Securities and Exchange Commission. Carnegie is therefore exempt from Rule 15c3-3 in accordance with Section (2)(I) thereof.

However, since Carnegie does not settle their trades through a United States broker, it is therefore required to record the liability for the unsettled trades (see Note 5).

2- SIGNIFICANT ACCOUNTING POLICIES

Carnegie uses the accrual method of accounting for financial statement and for income tax purposes. Carnegie accounts for all revenue from securities transactions and expenses related to such transactions on a trade date basis.

Property and equipment are stated at cost and are being depreciated on a straight-line basis using estimated useful lives of three to fifteen years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

Deferred income taxes are provided when income and expenses are recognized in different years for financial and tax reporting purposes.

The Corporation uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used. The nature of the Corporation's operations is such that variances from estimates of financial statement amounts are not likely to be significant.

CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

3- CASH

Cash of \$4,518,142 is held at Bear Stearns and is not federally insured.

For the statement of cash flows, Carnegie includes cash on deposit, cash on hand, and certificates of deposits with original maturities less than three months (if any) as cash equivalents.

4- COMMISSIONS RECEIVABLE

Commissions receivable represents the net amount due from related companies of \$668,665 (as shown below), net of settlement costs.

Commissions receivable represent commissions due on trades that were executed prior to December 31, 2001.

	<u>Commissions Receivable</u>
D. Carnegie AB	\$ 390,863
Carnegie Bank A/S	63,790
D. Carnegie AB Finland Branch	50,720
D. Carnegie AB Norway Branch	<u>163,292</u>
	\$ <u>668,665</u>

5- RECEIVABLES FROM BROKERS OR DEALERS AND CLEARING ORGANIZATIONS AND SECURITIES SOLD BUT NOT YET RECEIVED

Receivables from Brokers or Dealers and Clearing Organizations and Securities Sold But Not Yet Received, represents the market value of securities which Carnegie has not yet received from the seller by the settlement date.

Corporate Stocks	\$ <u>2,162,144</u>
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CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

6- FIXED ASSETS

Following is a summary of furniture, equipment and leasehold improvements at cost, less accumulated depreciation and amortization:

Furniture and Equipment	\$ 1,003,946
Leasehold Improvements	<u>563,984</u>
	1,567,930
Less: Accumulated Depreciation and Amortization	<u>( 619,414)</u>
Total	\$ <u>948,516</u>

7- PENSION PLAN

Carnegie established a pension plan (profit sharing plan) during calendar year 1994. All employees who have been employed with the company for one year are covered by the plan from January 1 of the year that they complete one year of service. Company contributions to the plan are at the discretion of the Board of Directors. Contributions may vary from 0-15 percent of base salary and are determined on a yearly basis. Funds contributed to the pension plan are set aside in individual accounts which are directed by the individual employee.

For the year ended December 31, 2001, contributions to the plan charged to operations were \$160,990 and are included in employees' benefits.

8- LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

On December 27, 1996, Carnegie received a \$ 1,500,000 subordinated loan from D. Carnegie AB (its sole stockholder). Per the terms of the loan, the total principal with three (3%) percent interest per annum became payable on January 31, 2000. Carnegie paid the accrued interest of \$140,500 and renewed the subordinated loan from D. Carnegie AB.

The renewed subordinated loan is for \$ 1,500,000 and bears interest at five and one half (5 ½) percent per annum. The principal and accrued interest on the loan are payable on February 28, 2003. At December 31, 2001, there is accrued interest of \$ 158,125 on this loan.

On December 20, 2001, Carnegie received a \$ 2,200,000 subordinate loan from D. Carnegie AB. Per terms of the loan, the total principal with five and one half (5 ½) percent interest per annum is payable on December 31, 2004. At December 31, 2001 there is accrued interest of \$ 3,361 on this loan.

CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

9- COMMITMENTS

Carnegie occupies office space in New York City. The office space is leased for a term of ten years and the lease expires on September 30, 2005. Future minimum rental commitments for operating leases with noncancellable terms at December 31, 2001, for the remainder of the lease are:

2002	\$ 192,500
2003	192,500
2004	192,500
2005	<u>144,375</u>
Total minimum future rentals	\$ <u>721,875</u>

10- CONTINGENT LIABILITIES

Carnegie and D. Carnegie & Co. AB are defendants in a lawsuit filed by two of Carnegie's former employees for alleged breach of a contractual obligation. The suit asks for damages totaling \$100 million per claimant, however, the Company contends that the value of the obligation was approximately \$800 thousand per claimant and the claimants were not entitled to this obligation based on the facts and circumstances. Therefore, the Company believes the suit is without merit and is vigorously defending its position.

11- CAPITAL STOCK

The authorized, issued and outstanding capital stock at December 31, 2001, was as follows:

Common Stock, par value \$.01 per share, authorized 100 shares; issued 100 shares.

12- INCOME TAXES

During 2001, Carnegie incurred a loss of \$ 2,174,302. As a result of this loss, the company is not subject to income taxes. However, the company is subject to minimum taxes for New York State and New York City purposes.

Carnegie has a loss of approximately \$2,060,000 for U.S. tax purposes and is entitled to carryback \$365,530 of such loss and apply it against calendar year 2000, resulting in a refund of \$124,280. The balance of the loss \$1,694,470 will be carried forward and will be available to offset income for the lesser of 20 years or until the loss is totally absorbed.

CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

The effective tax rate for U.S. purposes is approximately 46.6% comprised as follows:

Federal	28.70%
New York State	9.05%
New York City	8.85%

No tax benefit has been recorded for the carry forward as utilization is dependent on the timing and amount of income, neither of which we can predict with certainty. The total benefit approximates \$789,623 and since its utilization is subjective, a valuation allowance in this amount is also warranted. Hence, the balance sheet does not reflect a deferred tax asset or liability.

Temporary differences that consists primarily of interest expense and depreciation normally give use to a deferred tax liability; however, as the company generated a loss this year and significantly all of the timing differences will reverse in the subsequent year, when the net operating loss carryforward is available, the deferred tax liability has been released.

Prepaid taxes consist of current year's payments and over payments from prior years which will be suspended upon the submission of 2001 tax return as follows:

Federal	\$ 33,000
New York State and City	<u>17,256</u>
	<u>\$ 50,256</u>

13- NET CAPITAL REQUIREMENTS

Carnegie is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the rule, which requires that Carnegie maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2 percent of aggregated debit balances arising from customer transactions, as defined. (The net capital rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5 percent of aggregate debits.) At December 31, 2001, Carnegie had net capital of \$319,690 which was 4.87 percent of aggregate debit balances and \$69,690 in excess of its required net capital of \$250,000.

SCHEDULE I  
CARNEGIE, INC.  
 (a wholly owned subsidiary of D. Carnegie AB)  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF  
THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2001

NET CAPITAL	
Total Stockholder's Equity Qualified for Net Capital	\$ (1,723,246)
Add: Liabilities Subordinated to Claims of General	
Creditors Allowable in Computation of Net Capital	
Including Accrued Interest Thereon	<u>3,861,486</u>
Total Capital and Allowable Subordinated Liabilities	<u>2,138,240</u>
Deductions and/or Charges	
Non-allowable Assets:	
Petty Cash	176
Prepaid Expenses	26,657
Prepaid Taxes and Taxes Receivable	174,536
Commissions Receivable	668,665
Furniture, Equipment and Leasehold Improvements	<u>948,516</u>
Total Deductions and/or Charges	<u>1,818,550</u>
Net Capital	\$ <u><u>319,690</u></u>
Aggregate Indebtedness	
Items Included in Statement of Financial Condition:	
Accounts Payable and Accruals	\$ 4,348,809
Rent Abatement	60,156
Securities Sold But Not Yet Received, at market value	<u>2,162,144</u>
Total Aggregate Indebtedness	\$ <u><u>6,571,109</u></u>
COMPUTATION OF ALTERNATIVE NET CAPITAL REQUIREMENT	
2 percent of aggregate debit items (or \$250,000, if greater) as shown in	
Formula for reserve requirements pursuant to rule 15 c3-3 prepared	
as of the date of net capital computation - Carnegie.	
	\$ - 0 -
Capital Requirement of Broker, Dealer Electing Alternatives Method	<u>250,000</u>
Total Net Capital Requirement	<u>250,000</u>
Excess Net Capital	\$ <u><u>69,690</u></u>
Net Capital in excess of 5 percent of aggregate debit items or \$120,000	\$ <u><u>199,690</u></u>

SCHEDULE I (CONTINUED)  
CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF  
THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2001

RECONCILIATION WITH CARNEGIE, INC. COMPUTATION

Net Capital, as reported in Company's Part II (Unaudited) Focus Report	\$ <u>319,690</u>
Net Capital Per Above	\$ <u>319,690</u>

SCHEDULE II  
CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2001

As Carnegie, Inc. does not hold customer accounts, this schedule is not applicable.

SCHEDULE III  
CARNEGIE, INC.

(a wholly owned subsidiary of D. Carnegie AB)

INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER  
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2001

- |    |   |             |
|----|---|-------------|
| 1. | Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under rule 15c3-3. | \$ <u>0</u> |
| A. | Number of items   | <u>0</u>    |
| 2. | Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under rule 15c3-3.   | \$ <u>0</u> |
| A. | Number of items   | <u>0</u>    |

SCHEDULE IV  
CARNEGIE, INC.  
(a wholly owned subsidiary of D. Carnegie AB)  
SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR  
CUSTOMERS' REGULATED COMMODITY FUTURES AND OPTIONS ACCOUNTS  
AS OF DECEMBER 31, 2001

As Carnegie, Inc. does not hold customer accounts, this schedule is not applicable.



Regen Benz MacKenzie & Anopolsky

The Board of Directors  
Carnegie, Inc.  
New York, New York

In planning and performing our audit of the financial statements of Carnegie, Inc. 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 financial statements and not to provide assurance on the internal control structure.

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 Carnegie, Inc. 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 Carnegie, Inc. 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 Carnegie, Inc. 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 Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of Carnegie, Inc. is responsible for establishing and maintaining an 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 an internal control and the practices and procedures are to provide management with reasonable, but not absolute assurance that assets for which Carnegie, Inc. 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the above paragraph.

Because of inherent limitations in internal control structure 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.

The Board of Directors  
Carnegie, Inc.  
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Our consideration of the internal control structure would not necessary disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not to be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures 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 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 information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Regen, Benz, MacKenzie & Anopolsky, CPAs, P.C.*

New York, New York  
January 18, 2002