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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

SEC FILE NUMBER 8-51871

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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:

Legacy Asset Securities, Inc.

OFFICIAL USE ONLY FIRM ID. NO.

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

1800 West Loop South, Suite 1790

(No. and Street)

Houston

Texas

77027

(City)

(State)

(Zip Code)

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

Joseph Birkofer

713-355-7171

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Weinstein Spira & Company, P.C.

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

Five East Greenway Plaza, Suite 2200

Houston

Texas

77046

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED MAR 15 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).

3/13/02 S.S

OATH OR AFFIRMATION

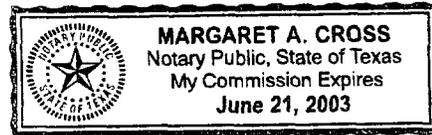
I, Joe Birkofer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Legacy Asset Securities, Inc., as of December 31, 19 2001, are true and correct. I further swear (or affirm) that neither the company 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:

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

*Joe Birkofer*  
Signature

President  
Title

*Margaret A. Cross*  
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.
- (o) Independent Auditor's Report on Internal Control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**LEGACY ASSET SECURITIES, INC.**

**Houston, Texas**

**ANNUAL FINANCIAL REPORT**

**December 31, 2001**

**WEINSTEIN  
SPIRA  
& COMPANY**

**Certified Public Accountants  
and Business Advisors**

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Certified Public Accountants  
and Business Advisors

## Independent Auditors' Report

Board of Directors  
Legacy Asset Securities, Inc.

We have audited the accompanying Statement of Financial Condition of Legacy Asset Securities, Inc. as of December 31, 2001, and the related Statements of Income, Changes in Shareholders' 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 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 Legacy Asset Securities, Inc. as of December 31, 2001, and the results of its operations and cash flows for the year ended December 31, 2001, 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 information contained in Schedules I and II is presented for the purpose 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.

*Weinstein Spira & Company, P.C.*

WEINSTEIN SPIRA & COMPANY, P.C.  
Houston, Texas  
January 23, 2002

**LEGACY ASSET SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
December 31, 2001

**ASSETS**

<b>Cash and Cash Equivalents</b>	\$	68,031
<b>Accounts Receivable</b>		5,697
<b>Securities Owned - not readily marketable</b>		<u>3,300</u>
	\$	<u>77,028</u>

**LIABILITIES**

<b>Accounts Payable</b>	\$	4,928
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**SHAREHOLDERS' EQUITY**

<b>Common Stock - par value \$.001, 1,000,000 shares authorized, issued and outstanding</b>	\$	1,000	
<b>Additional Paid-In Capital</b>		65,550	
<b>Retained Earnings</b>		<u>5,550</u>	<u>72,100</u>
	\$		<u>77,028</u>

See notes to financial statements.

**LEGACY ASSET SECURITIES, INC.**  
**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2001**

<b>Revenues</b>			
Commissions	\$	151,401	
Interest		<u>2,379</u>	\$ 153,780
<b>Expenses</b>			
Office services expense		100,800	
Other operating expenses		<u>50,302</u>	<u>151,102</u>
<b>Net Income</b>			<u>\$ 2,678</u>

See notes to financial statements.

**LEGACY ASSET SECURITIES, INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Year Ended December 31, 2001**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Balance - December 31, 2000</b>	\$ 1,000	\$ 65,550	\$ 2,872	\$ 69,422
Net Income	_____	_____	<u>2,678</u>	<u>2,678</u>
<b>Balance - December 31, 2001</b>	<u>\$ 1,000</u>	<u>\$ 65,550</u>	<u>\$ 5,550</u>	<u>\$ 72,100</u>

See notes to financial statements.

**LEGACY ASSET SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2001**

<b>Cash Flows From Operating Activities</b>	
Net income	\$ 2,678
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in accounts receivable	(4,315)
Increase in accounts payable	<u>4,309</u>
 Net Cash Provided by Operating Activities and Net Increase in Cash and Cash Equivalents	 2,672
 <b>Cash and Cash Equivalents - Beginning of Year</b>	 <u>65,359</u>
 <b>Cash and Cash Equivalents - End of Year</b>	 <u>\$ 68,031</u>

See notes to financial statements.

**LEGACY ASSET SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2001**

**Note 1 - Accounting Policies**

Accounting principles followed by the Company and the methods of applying those principles which materially affect the determination of financial position, results of operations, and cash flows are summarized below:

**Description of Business**

Legacy Asset Securities, Inc., located in Houston, Texas, is a private investment banking firm and fully-disclosed Securities Broker-Dealer. The Company is registered as a Broker-Dealer with the Securities and Exchange Commission, and is a member of the National Association of Securities Dealers, Inc.

**Statement Presentation**

The Unclassified Statement of Financial Condition is presented in accordance with industry standards.

**Revenue Recognition**

Commissions are recognized when trades settle and receivables are recorded at that time.

**Cash and Cash Equivalents**

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Securities Owned**

Marketable securities, consisting of equity securities, are stated at market value. The increase or decrease in net unrealized appreciation or depreciation is credited or charged to operations. Securities not readily marketable are investment securities which are carried at management's estimate of fair value and cannot be publicly offered or sold unless a registration has been effected under the Securities Act of 1933 or an exemption therefrom exists.

**LEGACY ASSET SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2001**

**Federal Income Tax**

In 1999, the Company elected S corporation status for federal income tax purposes. Under S corporation regulations, net income or loss is reportable for tax purposes by shareholders. Accordingly, no federal income taxes are included in the accompanying financial statements.

**Use of Estimates**

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

**Note 2 - Net Capital Requirements**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

There were no material inadequacies found to exist in the computation of the ratio of aggregate indebtedness to net capital at December 31, 2001, or in the procedures followed in making the periodic computation required. At December 31, 2001, the Company had net capital of \$68,285 and a net capital requirement of \$50,000. The Company's ratio of aggregate indebtedness to net capital was .07 to 1. The Securities and Exchange Commission permits a ratio for the Company at this time of no greater than 15 to 1.

**Note 3 - Transactions With Related Parties**

The Company entered into a contract for services on November 1, 1999 with Legacy Asset Management, Inc., a party related through common ownership. The Company had office expenses of \$100,800 for the year ended December 31, 2001, in connection with that contract. These expenses include, but are not limited to, office space, clerical support and communications systems.

**SUPPLEMENTARY INFORMATION**

**SCHEDULE I**  
**LEGACY ASSET SECURITIES, INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**December 31, 2001**

<b>Net Capital</b>		
Total Shareholders' Capital Qualified for Net Capital		\$ <u>72,100</u>
<b>Total Capital and Allowable Subordinated Liabilities</b>		72,100
<b>Deductions And/Or Charges</b>		
Nonallowable assets:		
Securities not readily marketable	\$ 3,300	
Accounts receivable	<u>515</u>	<u>3,815</u>
<b>Net Capital Before Haircuts on Securities Positions</b>		68,285
Haircuts on Securities		<u>          </u>
<b>Net Capital</b>		<u>\$ 68,285</u>
<b>Aggregate Indebtedness</b>		
Items included in balance sheet:		
Accounts payable		<u>\$ 4,928</u>
<b>Computation of Basic Net Capital Requirements</b>		
Minimum Net Capital Required (6.67% of total aggregate indebtedness)		<u>\$ 328</u>
Minimum Dollar Net Capital Requirement		<u>\$ 50,000</u>
Net Capital Requirement (greater of above two minimum requirement amounts)		<u>\$ 50,000</u>
Excess Net Capital		<u>\$ 18,285</u>
Ratio: Aggregate Indebtedness to Net Capital		<u>.07 to 1</u>

Note: The above computation does not differ materially from the computation of net capital under Rule 15c3-1 as of December 31, 2001, filed with the Securities and Exchange Commission by the Partnership on Part IIA of Form X-17a-5.

**SCHEDULE II**  
**LEGACY ASSET SECURITIES, INC.**  
**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**AND INFORMATION RELATING TO POSSESSION OR CONTROL OF SECURITIES**  
**UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**As of December 31, 2001**

**Exemption Provisions**

The Company has claimed an exemption from Rule 15c3-3 under Section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully-disclosed basis.