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UNITED STATES 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 01/01/01 AND ENDING 12/31/01

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

VESTAX Securities Corporation

OFFICIAL USE ONLY

FIRM ID. NO.

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

1931 Georgetown Road

Hudson

(No. and Street)

OH

44236

(City)

(State)

(Zip Code)

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

Jerald R. Albright, Jr.

(330)650-1660

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Ernst & Young LLP

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

600 Peachtree Street Ste 2800

Atlanta

GA

30308

(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

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THOMSON FINANCIAL

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\*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).

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**OATH OR AFFIRMATION**

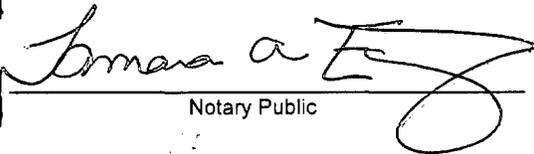
I, **Jerald R. Albright, Jr.**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of **VESTAX Securities Corporation**, as of **December 31, 2001**, are true and correct. I further swear (or affirm) that 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:

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

TAMARA A. ERTLEY  
NOTARY PUBLIC STATE OF OHIO  
MY COMMISSION EXPIRES DEC. 16, 2004

  
Signature

Chief Financial Officer  
Title

  
Notary Public

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of 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 or 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 or 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) Schedule of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges.
- (p) Statement of Secured Amount and Funds Held in Separate Accounts for Foreign Futures and Options Customers Pursuant to Commission Regulation 30.7.

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

VESTAX Securities Corporation

Audited Financial Statements  
and Supplemental Information

For the years ended December 31, 2001 and 2000

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## Report of Independent Auditors

Stockholder and Board of Directors  
VESTAX Securities Corporation

We have audited the accompanying statements of financial condition of VESTAX Securities Corporation (a wholly owned subsidiary of VESTAX Capital Corporation, which is a wholly owned subsidiary of ING America Insurance Holdings, Inc.) as of December 31, 2001 and 2000, and the related statements of operations, changes in stockholder's equity and cash flows for the years 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 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 VESTAX Securities Corporation as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audits 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.

*Ernst & Young LLP*

Atlanta, Georgia  
January 25, 2002

VESTAX Securities Corporation

Statements of Financial Condition

	December 31	
	2001	2000
<b>Assets</b>		
Cash and cash equivalents	\$3,857,032	\$3,117,957
Cash segregated for regulatory purposes	92,625	208,730
Commissions and concessions receivable	1,863,974	2,531,131
Accounts receivable, net of allowance of \$20,000 in 2001 and 2000	794,117	748,839
Due from affiliates, including \$699,635 in 2001 under tax allocation agreement	775,942	138,650
Deferred income tax asset	68,787	221,708
Premises and equipment, net of accumulated depreciation of \$828,252 in 2001 and \$681,161 in 2000	303,136	524,550
Other assets	301,642	226,181
<b>Total assets</b>	<b>\$8,057,255</b>	<b>\$7,717,746</b>
<b>Liabilities and stockholder's equity</b>		
<b>Liabilities:</b>		
Commissions and concessions payable	\$2,012,280	\$2,444,948
Due to affiliates	573,181	467,111
Accounts payable and other accrued expenses	1,511,928	1,378,506
<b>Total liabilities</b>	<b>4,097,389</b>	<b>4,290,565</b>
<b>Stockholder's equity:</b>		
Common stock, no par value (stated value \$1 per share), 500 shares authorized, issued and outstanding	500	500
Additional paid-in capital	1,565,169	1,565,169
Retained earnings	2,394,197	1,861,512
<b>Total stockholder's equity</b>	<b>3,959,866</b>	<b>3,427,181</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$8,057,255</b>	<b>\$7,717,746</b>

*See accompanying notes.*

VESTAX Securities Corporation

Statements of Operations

	Year ended December 31	
	2001	2000
Revenues:		
Commissions	\$48,767,662	\$63,841,410
Other	2,895,921	4,022,153
Total revenues	<u>51,663,583</u>	<u>67,863,563</u>
Expenses:		
Commissions	43,464,040	57,376,594
Salaries and employee benefits	4,008,916	3,848,226
Other operating expenses	3,347,807	4,985,397
Total expenses	<u>50,820,763</u>	<u>66,210,217</u>
Income before taxes	842,820	1,653,346
Income tax expense (benefit):		
Current	157,214	744,573
Deferred	152,921	(156,558)
Total income tax expense	<u>310,135</u>	<u>588,015</u>
Net income	<u>\$ 532,685</u>	<u>\$ 1,065,331</u>

*See accompanying notes.*

VESTAX Securities Corporation

Statements of Changes in Stockholder's Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance at January 1, 2000	\$500	\$1,565,169	\$ 2,396,181	\$ 3,961,850
Net income	-	-	1,065,331	1,065,331
Dividends paid to Parent	-	-	(1,600,000)	(1,600,000)
Balance at December 31, 2000	500	1,565,169	1,861,512	3,427,181
Net income	-	-	532,685	532,685
Balance at December 31, 2001	<b>\$500</b>	<b>\$1,565,169</b>	<b>\$ 2,394,197</b>	<b>\$ 3,959,866</b>

*See accompanying notes.*

# VESTAX Securities Corporation

## Statements of Cash Flows

	Year ended December 31	
	2001	2000
<b>Operating activities</b>		
Net income	\$ 532,685	\$ 1,065,331
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	248,411	264,672
Loss on sale of fixed assets	3,428	-
Deferred income taxes	152,921	(156,558)
Change in operating assets and liabilities:		
Due from affiliates	(637,292)	5,446
Commissions and concessions receivable	667,157	(919,865)
Accounts receivable	(45,278)	(272,676)
Other assets	(75,461)	(37,289)
Commissions and concessions payable	(432,668)	739,560
Accounts payable and other accrued expenses	133,422	643,543
Due to affiliates	106,070	378,543
Net cash provided by operating activities	653,395	1,710,707
<b>Investing activities</b>		
Purchase of premises and equipment	(35,077)	(17,014)
Proceeds from sale of premises and equipment	4,652	-
Net cash used in investing activities	(30,425)	(17,014)
<b>Financing activities</b>		
Dividends paid	-	(1,600,000)
Net cash used in financing activities	-	(1,600,000)
Net increase in cash and cash equivalents	622,970	93,693
Cash and cash equivalents at beginning of year	3,326,687	3,232,994
Cash and cash equivalents at end of year	\$3,949,657	\$ 3,326,687
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for:		
Interest	\$ 1,850	\$ -
Income taxes	\$ 871,765	\$ 663,318

*See accompanying notes.*

# VESTAX Securities Corporation

## Notes to Financial Statements

December 31, 2001

### **1. Nature of Business and Ownership**

VESTAX Securities Corporation (the "Company") is a broker-dealer registered under the Securities and Exchange Act of 1934 and is a member of the National Association of Securities Dealers. The Company is a wholly owned subsidiary of VESTAX Capital Corporation (the "Parent") and ultimately of ING America Insurance Holdings, Inc. ("ING AIH"). ING AIH is a wholly owned subsidiary of ING Groep N.V., a global financial services holding company based in the Netherlands.

The Company is a fully disclosed broker-dealer and clears all securities transactions through an unaffiliated clearing broker. Therefore, the Company is exempt from Securities and Exchange Commission ("SEC") Rule 15c3-3. The Company does not carry customer accounts and is not required to make the periodic computation of reserve requirements for the exclusive benefit of customers.

### **2. Summary of Significant Accounting Policies**

#### **General**

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain reclassifications have been made to prior year amounts to conform with the current financial statement presentation.

#### **Cash and Cash Equivalents**

The Company considers deposits that can be redeemed on demand and highly liquid investments that have original maturities of three months or less, when purchased, to be cash and cash equivalents.

## VESTAX Securities Corporation

### Notes to Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

##### Cash Segregated for Regulatory Purposes

The Company has a Special Account for the Exclusive Benefit of its Customers. This account is maintained for the deposit of customer funds submitted to the Company for the sole purpose of paying for registered investment company securities, pursuant to Rule 15c3-3 (k) (2) (i).

##### Accounts Receivable

Accounts receivable are shown at their net realizable value. Uncollectible accounts receivable are charged to operations during the period they are determined to be uncollectible.

##### Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation has been calculated using the straight-line method over the assets' estimated useful lives. The estimated service lives of property and equipment are principally as follows:

Buildings and improvements	3 - 40 years
Equipment	2 - 15 years
Computer Software	2 - 7 years

##### Income Taxes

Deferred income tax assets and liabilities result from temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

##### Revenue Recognition

Commission revenue and expense are recognized on a trade-date basis, which is the date a trade is executed.

## VESTAX Securities Corporation

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Financial Instruments with Off-Balance Sheet Risk**

The securities transactions of the Company's customers are introduced on a fully disclosed basis with a clearing broker-dealer. The Company holds no customer funds or securities. The clearing broker-dealer is responsible for execution, collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any related losses to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and to ensure that customer transactions are executed properly by the clearing broker-dealer.

##### **Liabilities Subordinated to the Claims of General Creditors**

At December 31, 2001 and 2000 and during the years then ended, the Company had no liabilities subordinated to the claims of general creditors.

#### **3. Income Taxes**

The results of the Company's operations are included in the consolidated tax return of ING AIH. ING AIH and its subsidiaries each report current income tax expense as allocated under a consolidated tax allocation agreement. Generally, this allocation results in profitable companies recognizing a tax provision as if the individual company filed a separate return and loss companies recognizing benefits to the extent of their losses.

VESTAX Securities Corporation

Notes to Financial Statements (continued)

**3. Income Taxes (continued)**

Income tax expense (benefit) consists of the following:

	Year ended December 31	
	2001	2000
Current:		
Federal	\$157,214	\$ 744,573
	157,214	744,573
Deferred:		
Federal	152,921	(156,558)
	152,921	(156,558)
Total	\$310,135	\$ 588,015

Variations from the federal statutory rate are as follows:

	Year ended December 31	
	2001	2000
Expected federal income tax expense at statutory rate of 35%	\$294,987	\$578,671
Effect of permanent differences	15,148	9,344
Income tax expense	\$310,135	\$588,015

The difference between the income tax provision computed at the federal statutory rate and the effective income tax rate is due primarily to nondeductible expenses such as travel, entertainment, and meals.

# VESTAX Securities Corporation

## Notes to Financial Statements (continued)

### 3. Income Taxes (continued)

Deferred income taxes have been established by each member of the consolidated group based upon the temporary differences within each entity. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31	
	2001	2000
Deferred tax assets:		
Deferred compensation	\$ 68,810	\$115,514
Marketing accrual	41,087	125,529
Other reserves	—	22,827
Total deferred tax assets	109,897	263,870
Deferred tax liabilities:		
Depreciation	(41,110)	(42,162)
Net deferred tax asset	\$ 68,787	\$221,708

Management has evaluated the need for a valuation allowance for the deferred tax asset and believes that the deferred tax asset will more likely than not be realized. Accordingly, no valuation allowance has been recognized.

### 4. Related Party Transactions

The Company leases office space and certain furniture and equipment from the Parent on a month-to-month basis. Expenses relating to these leases were \$287,101 and \$291,029 for the years ended December 31, 2001 and 2000, respectively.

## VESTAX Securities Corporation

### Notes to Financial Statements (continued)

#### **5. Employee and Registered Representative Benefits**

##### **401(k) and Pension Plans**

The employees of the Company are covered by a variety of employee benefit plans (both 401(k) and pension) that are administrated by affiliates. The different plans have various eligibility standards, vesting requirements, and guidelines for matching. The Company had no separate employee benefit plans in 2001 or 2000 and relied on its affiliated companies to cover all eligible employees. All benefits that were paid by these affiliates were charged back to the Company for reimbursement. Plan expenses incurred by the Company included in the statements of operations were \$189,974 and \$172,915 for the years ended December 31, 2001 and 2000, respectively.

##### **Deferred Compensation Plan**

In October 2001, the Company, through the ING Advisors Network, established a deferred compensation plan (the "Plan") for registered representatives. Under the Plan, if certain eligibility requirements are met, a participant may defer up to 25% of their commission and fee earnings and an OSI participant may defer up to 50% of their earnings during a Plan year. The deferred compensation plan is unfunded; therefore, benefits are paid from the general assets of the Company. The total of participant deferrals which is reflected in other accrued expenses was \$97,287 at December 31, 2001. The interest expense related to this plan was \$289 at December 31, 2001.

#### **6. Contingencies**

The Company is party to a number of claims and lawsuits arising in the course of their normal business activities. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management that these matters, when resolved, will not have a material effect on the Company's results of operations or financial condition.

## VESTAX Securities Corporation

### Notes to Financial Statements (continued)

#### **7. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity may not be withdrawn or cash dividends paid if the resulting net capital would exceed 10 to 1. At December 31, 2001, the Company had net capital of \$1,239,134, which was \$965,975 in excess of its required net capital of \$273,159. The Company's ratio of aggregate indebtedness to net capital at December 31, 2001 was 3.31 to 1.

# Supplemental Information

VESTAX Securities Corporation

Schedule I

Computation of Net Capital and Aggregate Indebtedness  
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2001

<b>Stockholder's equity</b>	<b>\$3,959,866</b>
<b>Non-allowable assets</b>	
Commissions and concessions receivable (Aged)	449,434
Accounts receivable	794,117
Due from affiliate	775,942
Deferred income tax asset	68,787
Premises and equipment	303,136
Other assets	204,619
<b>Total non-allowable assets</b>	<b>2,596,035</b>
<b>Other deductions</b>	
Excess fidelity bond deductible	42,221
<b>Net capital before haircuts</b>	<b>1,321,610</b>
Haircuts on short term investments included in cash equivalents	82,476
<b>Net Capital</b>	<b>\$1,239,134</b>
<b>Aggregate indebtedness (AI)</b>	
Accounts payable and other accrued expenses	\$1,511,928
Commissions and concessions payable	2,012,280
Due to affiliates	573,181
<b>Total aggregate indebtedness</b>	<b>\$4,097,389</b>
<b>Minimum net capital requirement, 6 2/3 % of AI</b>	<b>\$ 273,159</b>
<b>Minimum dollar net capital requirement</b>	<b>\$ 100,000</b>
<b>Excess net capital</b>	<b>\$ 965,975</b>
<b>Excess net capital at 1000%, as defined</b>	<b>\$ 829,395</b>
<b>Ratio of aggregate indebtedness to net capital</b>	<b>3.31 to 1</b>

VESTAX Securities Corporation

Schedule II  
Statement Pursuant to SEC Rule 17a-5(d)(4)

December 31, 2001

There were no differences between the computation of net capital under Rule 15c3-1 included in this audited report and the computation included in the Company's corresponding unaudited Form X-17A-5 Part IIA filing as of December 31, 2001.

VESTAX Securities Corporation

Schedule III  
Statement Regarding SEC Rule 15c3-3

December 31, 2001

**Exemptive Provision**

The Company claims exemption from the requirements of Rule 15c3-3 under Section (k)(2)(i) and (k)(2)(ii) of the Rule.

## Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption From SEC Rule 15c 3-3

Stockholder and Board of Directors  
VESTAX Securities Corporation

In planning and performing our audits of the financial statements and supplemental schedules of VESTAX Securities Corporation for the year ended December 31, 2001, we considered its internal control, including procedures 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 internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (the "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 criteria stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness 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; and
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 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 internal 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 criteria. Two of the criteria 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 generally accepted accounting principles. Rule 17a-5 (g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that internal control may become inadequate because of changes in conditions or that the effectiveness of its 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 one or more 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, and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that meet the criteria 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 meet such criteria 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 criteria.

This report is intended solely for the information and use of management, the SEC, the National Association of Securities Dealers, 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.

*Ernst & Young LLP*

Atlanta, Georgia  
January 25, 2002

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
VESTAX Securities Corporation  
*For the years ended December 31, 2001 and 2000  
with Reports of Independent Auditors*