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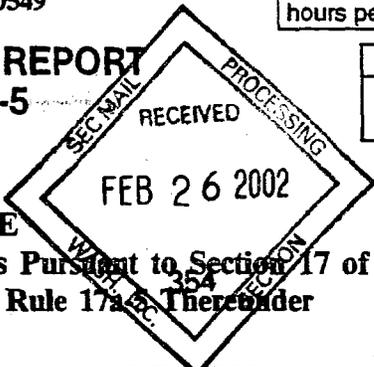
UNITED STATES
D EXCHANGE COMMISSION
Washington, D.C. 20549

WF 2-28-02

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

SEC FILE NUMBER
8- 18470



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: Morton H. Sachs Co. dba
The Sachs Company

OFFICIAL USE ONLY
FIRM ID. NO.

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

1346 South Third Street
(No. and Street)

Louisville Kentucky 40208
(City) (State) (Zip Code)

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

Ronald McGrath (502) 636-5282
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

McCurdy & Associates CPA's, Inc.
(Name - if individual, state last, first, middle name)

27955 Clemens Road Westlake Ohio 44145
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
MAR 14 2002
THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

*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, A. Nicholas Sachs, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Morton H. Sachs and Co. dba The Sachs Company, 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:

No exceptions

A. N. Sachs

Signature

President

Title

[Signature]
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.

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

**Financial Statements
and Additional Information**

**Morton H. Sachs and Co. dba
The Sachs Company**

**For the Year Ended December 31, 2001
With Report of Independent Auditors**

**Morton H. Sachs and Co. dba
The Sachs Company
Financial Statements and Additional Information
For the Year Ended December 31, 2001**

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McCurdy
& Associates
CPA's, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

27955 Clemens Road
Westlake, Ohio 44145-1121
Phone: (440) 835-8500
Fax: (440) 835-1093

Report of Independent Auditors

To The Board of Directors
Morton H. Sachs and Co. dba
The Sachs Company

We have audited the accompanying statement of financial condition of Morton H. Sachs and Co. dba The Sachs Company (a Kentucky corporation) as of December 31, 2001, and the related statements of income, stockholder's 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 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 Morton H. Sachs and Co. dba The Sachs Company as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 and II 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 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our 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.

A handwritten signature in cursive script, appearing to read 'McCurdy & Associates CPA's, Inc.', is written over a horizontal line.

McCurdy & Associates CPA's, Inc.
Westlake, Ohio
January 18, 2002

**Morton H. Sachs and Co. dba
The Sachs Company
Statement of Financial Condition
December 31, 2001**

Assets

Current assets

Cash	\$ 65,322
Accounts receivable:	
Commissions	97,735
Management fees	11,491
Advisory fees	10,900
Other	<u>533</u>
Total accounts receivable	120,659
Accrued interest receivable	5,754
Investment in securities	301,843
Prepaid expenses	5,087
Receivable from related parties	<u>38,090</u>
Total current assets	536,755

Property and equipment, net	53,979
Other receivables from related parties	359,311
Other investments	502,400
Other assets	<u>61,743</u>

Total assets \$1,514,188

Liabilities and stockholder's equity

Current liabilities

Accounts payable	\$ 7,855
Accrued expenses	84,250
Accrued income taxes	<u>4,465</u>
Total current liabilities	96,570

Stockholder's equity

Common stock-no par value, 2,100 shares authorized, 200 shares issued and outstanding at stated value	20,000
Retained earnings	<u>1,397,618</u>
Total stockholder's equity	<u>1,417,618</u>

Total liabilities and stockholder's equity \$1,514,188

See accompanying notes and auditors' report

**Morton H. Sachs and Co. dba
The Sachs Company
Statement of Income
For The Year Ended December 31, 2001**

Revenues

Commissions	\$1,096,297
Advisory fees	777,532
Management fees	533,135
Gain (loss) on sale of securities	25,989
Unrealized appreciation (depreciation) of investments	(73,510)
Interest and dividends	52,841
Other	<u>10,364</u>
	2,422,648

Expenses

Broker commissions	133,732
Employee compensation	1,319,054
Employee benefits	164,204
Payroll and other taxes	88,263
Promotion and development	13,613
Occupancy and equipment	257,667
Communications	82,438
Professional fees	130,071
Other	<u>111,789</u>
	2,300,831

Net Income

\$ 121,817

See accompanying notes and auditors' report

**Morton H. Sachs and Co. dba
The Sachs Company
Statement of Stockholder's Equity
For The Year Ended December 31, 2001**

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Beginning balances	\$20,000	\$1,325,801	\$1,345,801
Net income	-	121,817	121,817
Equity withdrawals	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Ending balances	<u>\$20,000</u>	<u>\$1,397,618</u>	<u>\$1,417,618</u>

See accompanying notes and auditors' report

**Morton H. Sachs and Co. dba
The Sachs Company
Statement of Cash Flows
For The Year Ended December 31, 2001**

Cash flows from operating activities

Net income	\$ 121,817
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	39,269
Gain on sale of securities	(25,989)
Unrealized (appreciation)depreciation of investments	73,510
Changes in:	
Accounts receivable	(92,546)
Prepaid expenses	(273)
Other assets	4,000
Accounts payable	(43,333)
Accrued expenses	<u>62,169</u>
Total adjustments	<u>16,807</u>
Net cash provided (used) by operating activities	138,624

Cash flows from investing activities

Proceeds from sale of investments	11,211,230
Purchases of investments	(10,848,814)
Purchase of other investments	(502,400)
Accrued interest receivable	(5,754)
Purchase of property and equipment	(18,304)
Loans to related parties	(611,769)
Received from related parties	<u>729,815</u>
Net cash provided (used) by investing activities	(45,996)

Cash flows from financing activities

Equity withdrawals	<u>(50,000)</u>
Net cash provided (used) by financing activities	<u>(50,000)</u>

Net increase (decrease) in cash 42,628

Cash at beginning of year 22,694

Cash at end of year \$ 65,322

The Company paid \$3,930 in income taxes and \$12,985 in interest during the year.

See accompanying notes and auditors' report

**Morton H. Sachs and Co. dba
The Sachs Company
Notes to Financial Statements
For The Year Ended December 31, 2001**

Note A - Summary of Significant Accounting Policies

Business

The Sachs Company is a registered investment advisor and broker dealer. The Company derives a significant amount of its commissions and management fees from The Camelot Funds (formerly The Fairmont Fund Trust). The financial statements have been prepared in conformity with generally accepted accounting principles with the exception of provision for depreciation and amortization. The difference between straight line and accelerated depreciation and amortization methods is not material to the financial statements taken as a whole.

Investments

Marketable securities are carried at market value. NASDAQ stock market shares are valued at cost. Security transactions are recorded at trade date. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Certificates of Deposit are considered to be non-current assets as they are likely to be renewed upon maturity. Collectible investments are valued at cost.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided using primarily accelerated methods over the estimated useful lives of the assets. The difference between straight-line and the accelerated method is not material to the financial statements taken as a whole.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Management considers all accounts receivable to be collectible.

Financial Instruments With Off-Balance-Sheet Risk

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

**Morton H. Sachs and Co. dba
The Sachs Company
Notes to Financial Statements (Cont'd)
For The Year Ended December 31, 2001**

Note A - Summary of Significant Accounting Policies (Cont'd)

Income Taxes

The Sachs Company has elected Subchapter S status under the Internal Revenue Code and is not subject to federal or state income taxes which are the responsibility of the stockholder. The Company is responsible for payment of local income taxes on its income.

Note B - Investments

Investments consist of the following:

<u>Marketable Securities</u>	<u>Cost</u>	<u>Market Value</u>
Common stocks	<u>\$294,546</u>	<u>\$301,843</u>
 <u>Other Investments</u>		
Certificates of Deposit	\$500,000	\$500,000
Collectibles	<u>2,400</u>	<u>2,400</u>
	<u>\$502,400</u>	<u>\$502,400</u>

Unrealized gain on marketable securities is reported in the statement of income. The Certificates of Deposit are pledged as collateral on a related party bank loan.

Note C - Property and Equipment

Property and equipment consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Net</u>
Equipment	\$242,655	\$196,689	\$ 45,966
Leasehold Improvements	<u>19,593</u>	<u>11,580</u>	<u>8,013</u>
	<u>\$262,248</u>	<u>\$208,269</u>	<u>\$ 53,979</u>

Depreciation expense was \$39,269. The Company disposed of fully depreciated assets in the amount of \$193,825 during the year.

**Morton H. Sachs and Co. dba
The Sachs Company
Notes to Financial Statements (Cont'd)
For The Year Ended December 31, 2001**

Note D - Related Party Transactions

The Company has a management agreement with The Camelot Funds (formerly The Fairmont Fund Trust), (a trust which includes a mutual fund series, The Fairmont Fund) whereby the Company has agreed to provide investment advisory services and to pay certain expenses of the Fund. The sole stockholder of the Company is the manager of the Trust. For this, the Company receives management fees equal to an annual rate of 2% of the first \$10,000,000 of average daily net assets of the Fund, 1.5% of the next \$20,000,000 of average daily net assets and 1% of average daily net assets over \$30,000,000.

The Company received management fees of \$152,610 during the year. The Company, as a registered broker/dealer of securities, effected substantially all of the investment portfolio transactions for The Camelot Funds. For this service the Company received commissions of \$111,184 during the year.

The Company leases office space and obtains occasional transportation from Kentucky Property Management ("KPM"), a sole proprietorship operated by the Company's sole shareholder. Amounts paid to KPM during 2001 totaled approximately \$103,616.

Certain officers of The Sachs Company are also officers of Louisville Trust Company ("LTC"), a Kentucky state chartered bank authorized to provide only trust services. The Company's sole shareholder owns 100% of the voting stock of LTC. The Company provided financing, office space, support staff and services to LTC for a management fee of \$126,000 for services, and made loans of \$385,996 during the year. These charges were added to a demand note which carries an annual interest rate of 6.75% payable quarterly. During 2001, the Company received \$20,162 interest on the note and \$673,500 in principal payments. The Company has pledged Certificates of Deposit of \$500,000 as collateral on a LTC bank loan.

Amounts due from related parties at December 31, 2001 consist of the following:

Receivable from Kentucky Property Management	\$350,000
Note receivable from Louisville Trust Company	36,484
Receivable from The Fairmont Fund	11,491
Receivable from Louisville Trust Holding Company	9,311
Other related party receivable	<u>1,606</u>
	<u>\$408,892</u>

Note E - Leases

The Company leases its main office space for \$8,333.33 per month from KPM pursuant to a month-to-month operating lease. Rent expense was \$100,000 in 2001.

**Morton H. Sachs and Co. dba
The Sachs Company
Notes to Financial Statements (Cont'd)
For The Year Ended December 31, 2001**

Note E – Leases (Cont'd)

The Company has contracted for services under month to month subscriber agreements with Reuters and Mutual Shareholder Services. The Company also has service leases with Checkfree Investment Services (“Checkfree”) and Bloomberg L.P. (“Bloomberg”). The Company is obligated to pay \$5,150 per month through December 2004 under the Checkfree agreement and \$4,920 per quarter through September 2002 under the Bloomberg agreement.

Minimum lease payments follow:

2002	\$76,560
2003	61,800
2004	61,800
2005	0
2006	0

Note F - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission (SEC) uniform net capital rule (Rule 15c3-1). The rule 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. Net capital and aggregate indebtedness change from day to day, but at December 31, 2001, the Company's ratio of aggregate indebtedness to net capital was .31 to 1. Net capital, as defined, was \$314,203, which exceeded the minimum required amount by \$214,203.

Note G - Employee Benefit Plan

Substantially all of the Company's employees are covered under a qualified plan under Section 401(k) of the Internal Revenue Code. Under provisions of this plan, the Company matches dollar for dollar the employees' pre-tax contributions, up to 5% of each employee's compensation with an annual maximum of \$2,000 per employee. The amount contributed to the plan for the year ended December 31, 2001 was \$23,542.

Note H – Contingent Liabilities

In 1999 a claim was brought against the Company as co-respondent relating to transactions involving two positions in one client's account. The claim ultimately went to arbitration through NASD Dispute Resolution, Inc. On January 18, 2002, the arbitration panel found in favor of the claimant and awarded judgement in the amount of \$53,000 for compensatory damages and interest. The

**Morton H. Sachs and Co. dba
The Sachs Company
Notes to Financial Statements (Cont'd)
For The Year Ended December 31, 2001**

Note H – Contingent Liabilities (Cont'd)

Company was also assessed \$5,750 for various fees associated with the arbitration process. \$58,750 is included in accrued expenses as of December 31, 2001.

The Company has pledged its Certificates of Deposit of \$500,000 as collateral for a related party bank loan.

Note I – Subordinated Liabilities

There were no changes in liabilities subordinated to general creditors. The Company had no subordinated liabilities at the beginning of the year and no increases or decreases during the current year.

Note J – Concentration of Credit Risk

The Company purchased two Certificates of Deposit totaling \$500,000 from Irwin Union Bank. \$100,000 is insured by the FDIC; \$400,000 is at risk. This policy does not serve to limit the Company's exposure to credit risk.

Additional Information

**Morton H. Sachs and Co. dba
The Sachs Company
Computation of Net Capital
December 31, 2001**

Computation of net capital

Total stockholder's equity	\$1,417,618
Deductions and charges:	
Non allowable assets:	
Receivables from non-customers	414,587
Property and equipment, net	53,979
Pledged certificate of deposit	500,000
Restricted securities	3,300
Other assets and prepaid expenses	<u>69,229</u>
	<u>1,041,095</u>
Net capital before haircuts on security positions	376,523
Haircuts on securities:	
Trading and investment securities:	
Other securities	43,787
Undue concentration	<u>18,533</u>
	<u>62,320</u>
Net capital	<u>\$ 314,203</u>

Computation of basic net capital requirement

Net capital requirement (6 2/3% of aggregate indebtedness)-rounded to 6.67%	\$ 6,441
Minimum dollar requirement	<u>\$ 100,000</u>
Excess net capital	<u>\$ 214,203</u>
Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness)	<u>\$ 304,546</u>

Computation of aggregate indebtedness

Total liabilities	<u>\$ 96,570</u>
Total aggregate indebtedness	<u>\$ 96,570</u>
Ratio of aggregate indebtedness to net capital	<u>.31 to 1</u>

**Morton H. Sachs and Co. dba
The Sachs Company
Statement Pursuant to Rule 17a-5(d)(4)
December 31, 2001**

A reconciliation of the computation of net capital under Rule 15c3-1 as included in the company's unaudited Form X-17a-5 as of December 31, 2001 filed with the Securities and Exchange Commission and the amount included in the accompanying Schedule I computation is as follows:

	December 31, <u>2001</u>
Net capital, as reported in company's amended form X-17a-5, Part II	\$314,203
Net audit adjustments	<u>0</u>
Net capital, as reported in Schedule I	<u>\$314,203</u>

Inasmuch as Morton H. Sachs and Co. dba The Sachs Company is operating as a fully-disclosed broker/dealer and does not carry customer accounts, the following supporting schedules are not applicable:

- A. Computation for determination of the reserve requirements under Exhibit A of Rule 15c3-3.
- B. Information relating to the possession or control requirements under Rule 15c3-3.



**Independent Auditors' Supplementary Report
on Internal Control**

The Board of Directors
Morton H. Sachs and Co. dba
The Sachs Company:

In planning and performing our audit of the financial statements of Morton H. Sachs and Co. dba The Sachs Company for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

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

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under 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 controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for

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

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

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities 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 and other regulatory agencies that 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.



McCurdy & Associates CPA's, Inc.
Westlake, Ohio
January 18, 2002