

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

AP 3/4/2002

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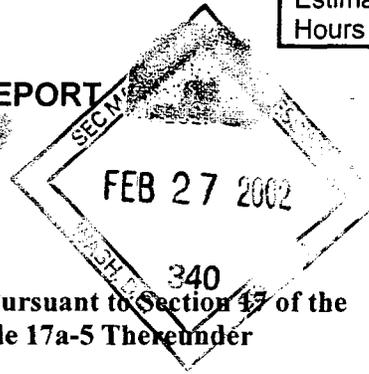
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



02006065

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder



SEC FILE NUMBER  
8 - 50726

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:

INVESTORS' CAPITAL LLC

OFFICIAL USE ONLY  
FIRM ID. NO.

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

120 BROADWAY, 9<sup>TH</sup> FLOOR  
(No. And Street)

NEW YORK,  
(City)

NY  
(State)

10271  
(Zip Code)

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

JAY NADELSON

(212) 433-7766  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

FULVIO & ASSOCIATES, LLP

ATTN: JOHN FULVIO, CPA

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

60 EAST 42<sup>ND</sup> STREET  
(Address)

NEW YORK  
(City)

NY 10165  
(State) (Zip Code)

PROCEED

CHECK ONE:

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

MAR 29 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 basis for the exemption. See section 240.17a-5(e)(2).

Handwritten initials and date: UK 3-26-02

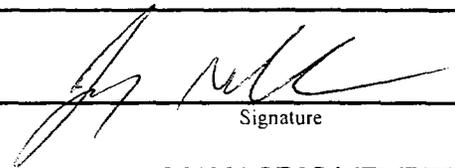
OATH OR AFFIRMATION

I, JAY NADELSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm

INVESTORS' CAPITAL LLC, as

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  
**MANAGING MEMBER**  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public

**SUSAN E. VANVELSON**  
Notary Public, State of New York  
No. 01VA6045572  
Qualified in Ulster County  
Commission Expires July 31, 2002

This report \*\* contains (check all applicable boxes): Commission Expires July 31, 2002

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (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 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 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 previous audit
- (o) Supplemental independent Auditors Report on Internal Accounting Control.

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

# FULVIO & ASSOCIATES, L.L.P.

JOHN FULVIO, CPA  
SUSAN E. VAN VELSON, CPA  
CHRISTIAN TIRIOLLO, CPA

*Certified Public Accountants*

60 East 42nd Street  
New York, New York 10165  
TEL: 212-490-3113  
FAX: 212-986-3679  
www.fulviollp.com

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Investors' Capital, LLC:

We have audited the accompanying statement of financial condition of Investors' Capital, LLC (the "Company") as of December 31, 2001, and the related statements of income, changes in members' capital 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 Investors' Capital, LLC 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.

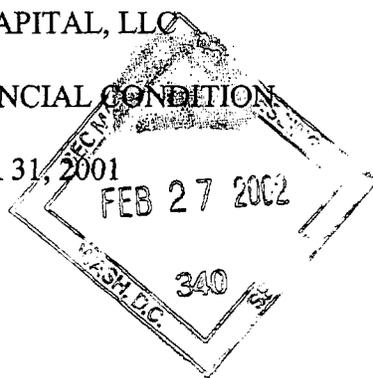
Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required 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 and in conformity with the rules of the Securities and Exchange Commission.

*Fulvio & Associates, L.L.P.*

New York, New York  
February 1, 2002

INVESTORS' CAPITAL, LLC  
STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2001



# FULVIO & ASSOCIATES, L.L.P.

JOHN FULVIO, CPA  
SUSAN E. VAN VELSON, CPA  
CHRISTIAN TIRIOLLO, CPA

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Investors' Capital, LLC :

We have audited the accompanying statement of financial condition of Investors' Capital, LLC (the "Company") as of December 31, 2001. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Investors' Capital, LLC as of December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

*Fulvio & Associates, L.L.P.*

New York, New York  
February 1, 2002

INVESTORS' CAPITAL, LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2000

ASSETS

Cash	\$ 3,691
Securities owned, at market value	4,771,500
Due from broker	1,102,891
Accrued dividends	1,559
Fixed assets (net of accumulated depreciation of \$2,568)	2,291
Other assets	<u>10,709</u>
 TOTAL ASSETS	 <u>\$ 5,892,641</u>

LIABILITIES AND MEMBERS' CAPITAL

Liabilities:	
Securities sold, but not yet purchased, at market value	\$ 4,064,663
Accrued expenses payable	23,549
Payable to member	<u>274,020</u>
 TOTAL LIABILITIES	 <u>\$ 4,362,232</u>
 Members' capital	 <u>\$ 1,530,409</u>
 TOTAL LIABILITIES AND MEMBERS' CAPITAL	 <u>\$ 5,892,641</u>

The accompanying notes are an integral part of this financial statement.

INVESTORS' CAPITAL, LLC  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2001

NOTE 1 - GENERAL

Organization and Nature of Business:

Investors' Capital, LLC (the "Company") was organized under the Limited Liability Company Law of the State of New York. The Company is a registered broker-dealer with the Securities and Exchange Commission and a member of the American Stock Exchange, Inc. (the "Exchange") acting as an options principal market maker. The Company operates on the floor of the Exchange executing transactions on behalf of it and has traders who trade off the floor of the Exchange.

The Company's depository and clearing functions are handled by another broker-dealer pursuant to a clearance agreement with that broker-dealer.

The books and records of the Company are kept on an accrual basis and follow trade-date accounting in accordance with generally accepted accounting principles.

The Company's trading activities include short sales of equity securities, as well as the writing of stock options having various expiration dates. Subsequent market fluctuations may require purchasing the securities at prices that may differ from the market value reflected on the statement of financial condition. In most cases, the Company limits its risks by holding offsetting security or option positions.

NOTE 2 - INCOME TAXES

Since the Company is a limited liability company, it is not considered a taxable entity. Each member of the Company is liable for the taxes on their share of the Company's income or loss.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934 which requires the maintenance of minimum net capital, as defined and that aggregate indebtedness, as defined, may not exceed fifteen times net capital, as defined. At December 31, 2001, the Company's net capital and excess net capital were \$1,406,910 and \$1,306,910, respectively.

NOTE 4 - SIGNIFICANT GROUP CONCENTRATION OF CREDIT RISK

In the normal course of its business, the Company enters into financial transactions where the risk of potential loss due to changes in market (market risk) or failures of the other party to a transaction to perform (credit risk) exceed the amounts recorded for the transaction.

The Company's policy is to continuously monitor its exposure to market and counter party risk through the use of a variety of financial, position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the counter party with which it conducts business.

INVESTORS' CAPITAL, LLC  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2000  
(continued)

NOTE 5 - OTHER ASSETS

Included in other assets on the statement of financial condition is the following:

Prepaid expenses	\$ 709
Investment in joint back office with clearing broker	<u>10,000</u>
Total Other Assets	<u>\$ 10,709</u>

The investment in joint back office with clearing broker enables the Company to use its clearing broker's capital to meet its margin requirements. The Company uses the cost method to account for this investment.

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

In the course of its normal trading activities, the Company is a party to financial instruments that involve, to indeterminable degrees, market risks in excess of that presented in the statement of financial condition. These instruments include puts and calls written on stock, and obligation arising from securities sold, but not yet purchased. The Company's activities include the purchase and sale of derivative financial instruments in the form of equity and index options and futures. These derivatives are used for trading purposes and for managing risks associated with the portfolio of securities. The Company's core trading positions involve risk-defined hedged strategies. Accordingly, management believes that any risk is significantly minimized through its hedging strategies. All positions are reported at market value and any change in market value is reflected in the accompanying statement of income as gain or loss as it occurs. All derivative gain or loss resulting from equity positions is reported in net trading income.