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AP 3/4/2002 ✓

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

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



02006069

FACING PAGE

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

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FEB 27 2002  
SEC 17A-5 REPORT PROCESSING

SEC FILE NUMBER  
8 25-739-39728

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:

David Huckin & Associates, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

3700 Buffalo Speedway, Suite 950

(No. and Street)

Houston

Texas

77098

(City)

(State)

(Zip Code)

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

David Huckin

713-526-8411

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Effinger, Kenneth Edward

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

11210 Steeplecrest, Suite 120

Houston

Texas

77065

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

APR 04 2002

THOMSON  
FINANCIAL

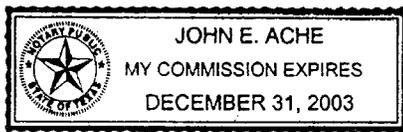
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

of

OATH OR AFFIRMATION

I, David Huckin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of David Huckin & Associates, 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:



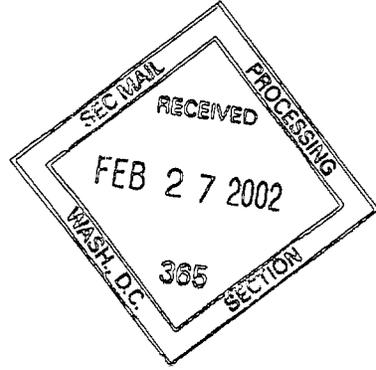
Signature: [Handwritten Signature]
Title: President

[Handwritten 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).



DAVID HUCKIN & ASSOCIATES, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

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# **KENNETH E. EFFINGER**

Certified Public Accountant  
11210 Steeplecrest, Suite 120  
Houston, TX 77065

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Phone 281-894-7021  
Fax 281-890-4316  
Cellular 281-546-1083

## Independent Auditor's Report

Board of Directors  
David Huckin & Associates, Inc.  
Houston, Texas

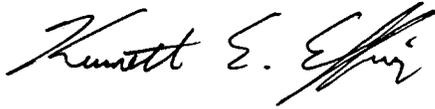
I have audited the accompanying balance sheets of David Huckin & Associates, Inc. (a Texas Corporation) as of December 31, 2001 and 2000, and the related statements of income and retained earnings, comprehensive income, cash flow, changes in shareholder's equity and changes in liabilities subordinated to claims of creditors 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of David Huckin & Associates, Inc. as of December 31, 2001 and 2000 and the results of its operations and its cash flow for the years then ended in conformity with generally accepted accounting principles.

Board of Directors  
David Huckin & Associates, Inc.  
Page 2

My 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 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 my 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 "Kenneth E. Effinger".

February 19, 2002

DAVID HUCKIN & ASSOCIATES, INC.  
BALANCE SHEETS  
December 31, 2001 and 2000

|   | <u>2001</u>       | <u>2000</u>       |
|---|-------------------|-------------------|
| ASSETS  |                   |                   |
| Current Assets  |                   |                   |
| Cash and equivalents  | \$ 64,591         | \$ 26,266         |
| Accounts receivable-commissions                             | 45,114            | 75,924            |
| Accounts receivable-securities sold                         | -0-               | 106,783           |
| Corporate income tax overpayment                            | 5,517             | 5,517             |
| Prepaid rent  | 4,960             | 4,960             |
| Deferred income tax   | <u>28,934</u>     | <u>5,712</u>      |
| Total Current Assets  | <u>149,116</u>    | <u>225,162</u>    |
| Property and Equipment, at cost                             |                   |                   |
| Furniture & fixtures  | 53,071            | 52,882            |
| Office equipment  | <u>5,794</u>      | <u>10,769</u>     |
|   | 58,865            | 63,651            |
| Less: accumulated depreciation                              | <u>(23,060)</u>   | <u>(25,874)</u>   |
| Property and equipment - net of<br>accumulated depreciation | <u>35,805</u>     | <u>37,777</u>     |
| Other Assets  |                   |                   |
| Investment in equity securities--<br>available-for-sale     | 288,892           | 276,455           |
| Investment-Tennebaum  | -0-               | 107,750           |
| Deposits  | 4,796             | 4,796             |
| Cash surrender value-officer's annuity                      | <u>-0-</u>        | <u>237,967</u>    |
| Total Other Assets  | <u>293,688</u>    | <u>626,968</u>    |
| Total Assets  | <u>\$ 478,609</u> | <u>\$ 889,907</u> |

The accompanying notes are an integral part of  
these financial statements

DAVID HUCKIN & ASSOCIATES, INC.  
BALANCE SHEETS  
December 31, 2001 and 2000

|   | <u>2001</u>       | <u>2000</u>       |
|---|-------------------|-------------------|
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>   |                   |                   |
| Current Liabilities   |                   |                   |
| Accounts payable  | \$ 1,468          | \$ 1,279          |
| Accrued commissions   | 22,200            | 58,584            |
| Payroll tax payable   | -0-               | 1,914             |
| Accrued payroll   | -0-               | 120,000           |
| Loan from stockholder   | <u>-0-</u>        | <u>152,000</u>    |
| Total Current Liabilities   | <u>23,668</u>     | <u>333,777</u>    |
| Contingency (Note 7)  | <u>---</u>        | <u>---</u>        |
| <b>SHAREHOLDER'S EQUITY</b>   |                   |                   |
| Capital Stock, common, \$1.00 par value,<br>100,000 shares authorized, 1,000<br>shares issued and outstanding | 1,000             | 1,000             |
| Additional Paid-In-Capital  | 7,257             | 7,257             |
| Accumulated other comprehensive income  | (164,956)         | (27,808)          |
| Retained Earnings   | <u>611,640</u>    | <u>575,681</u>    |
| Total Shareholder's Equity  | <u>454,941</u>    | <u>556,130</u>    |
| Total Liabilities<br>and Shareholder's Equity   | <u>\$ 478,609</u> | <u>\$ 889,907</u> |

The accompanying notes are an integral part of  
these financial statements

DAVID HUCKIN & ASSOCIATES, INC.  
STATEMENTS OF INCOME AND RETAINED EARNINGS  
Years ended December 31, 2001 and 2000

|                                      | <u>2001</u>         | <u>2000</u>         |
|--------------------------------------|---------------------|---------------------|
| Commission Revenue                   | \$ <u>1,706,257</u> | \$ <u>2,862,875</u> |
| Operating Expenses:                  |                     |                     |
| Depreciation                         | 7,551               | 8,365               |
| Selling, general and administrative  | <u>1,796,195</u>    | <u>2,784,505</u>    |
| Total Operating Expenses             | <u>1,803,746</u>    | <u>2,792,870</u>    |
| Operating Income/(Loss)              | <u>(97,489)</u>     | <u>70,005</u>       |
| Other Income (Expenses):             |                     |                     |
| Interest Income                      | 3,978               | 10,975              |
| Dividend Income                      | 1,955               | 5,220               |
| Miscellaneous                        | 136                 | 3,733               |
| Loss on Sale of Fixed Assets         | -0-                 | (28,712)            |
| Tax Free Income-Annuity              | 65,970              | -0-                 |
| Taxable Income-Annuity               | 29,667              | -0-                 |
| Gain (Loss) on Marketable Securities | <u>15,926</u>       | <u>(56,455)</u>     |
| Total Other Income (Expense)         | <u>117,632</u>      | <u>(65,239)</u>     |
| Income Before Income Tax             | <u>20,143</u>       | <u>4,766</u>        |
| Federal Income Tax Provision:        |                     |                     |
| Current (Benefit)                    | -0-                 | 4,403               |
| Deferred (Benefit)                   | <u>(15,816)</u>     | <u>(7,970)</u>      |
|                                      | <u>(15,816)</u>     | <u>(3,567)</u>      |
| Net Income                           | 35,959              | 8,333               |
| Retained Earnings, beginning         | 575,681             | 567,848             |
| Cash Dividends on Common Stock       | <u>-0-</u>          | <u>500</u>          |
| Retained Earnings, ending            | \$ 611,640<br>===== | \$ 575,681<br>===== |

The accompanying notes are an integral part of  
these financial statements

DAVID HUCKIN & ASSOCIATES, INC.  
 STATEMENTS OF CASH FLOW  
 Years ended December 31, 2001 and 2000

|   | <u>2001</u>      | <u>2000</u>      |
|---|------------------|------------------|
| Cash flows from operating activities:   |                  |                  |
| Net Income  | \$ 35,959        | \$ 8,333         |
| Adjustments to reconcile net<br>income to net cash provided by<br>operating activities: |                  |                  |
| Depreciation  | 7,551            | 8,365            |
| (Gain) loss on sale of securities   | (15,926)         | 56,455           |
| Loss on sale of & abandoned fixed assets  | 1,132            | 28,712           |
| Gain on redemption of annuity   | (95,637)         | -0-              |
| (Increase) decrease in accounts receivable  | 137,593          | (101,495)        |
| Decrease in corporate tax overpayment   | -0-              | 4,403            |
| Increase (decrease) in accounts payable   | 189              | (3,017)          |
| Increase (decrease) in taxes payable  | (1,914)          | 1,555            |
| Decrease in commissions payable   | (36,384)         | (85,016)         |
| Increase (decrease) in accrued payroll  | (120,000)        | 120,000          |
| Increase in deferred income tax   | <u>(23,222)</u>  | <u>(18,571)</u>  |
| Net cash (used)/provided by operations  | <u>(110,659)</u> | <u>19,724</u>    |
| Cash flows used in investing activities:  |                  |                  |
| Purchases of property and equipment   | (6,711)          | (20,035)         |
| Proceeds (Purchase) of investment   | 107,750          | (107,750)        |
| Purchase of available-for-sale securities   | (129,997)        | (307,689)        |
| Loan to stockholder   | -0-              | 10,096           |
| Proceeds from sale of fixed assets  | -0-              | 24,750           |
| Proceeds from redemption of annuity   | 245,918          | -0-              |
| Proceeds from sale available-for-sale securities  | <u>84,024</u>    | <u>206,608</u>   |
| Net cash provided/(used) in<br>investing activities                                     | <u>300,984</u>   | <u>(194,020)</u> |
| Cash flows from financing activities:   |                  |                  |
| Payment (Proceeds) from loan from stockholder   | (152,000)        | 152,000          |
| Dividends paid  | <u>-0-</u>       | <u>(500)</u>     |
| Net cash flow from financing activities   | <u>(152,000)</u> | <u>151,500</u>   |
| Net increase/(decrease) in cash and equivalents   | 38,325           | (22,796)         |
| Cash and equivalents, beginning of year   | <u>26,266</u>    | <u>49,062</u>    |
| Cash and equivalents, end of year   | \$ 64,591        | \$ 26,266        |
|   | =====            | =====            |

The accompanying notes are an integral part of  
 these financial statements

DAVID HUCKIN & ASSOCIATES, INC.  
STATEMENTS OF CASH FLOW  
Years ended December 31, 2001 and 2000

|                                     | <u>2001</u>       | <u>2000</u>       |
|-------------------------------------|-------------------|-------------------|
| Supplemental cash flow information: |                   |                   |
| Income taxes paid                   | \$ -0-<br>=====   | \$ 4,403<br>===== |
| Interest paid                       | \$ 1,950<br>===== | \$ 22<br>=====    |

The accompanying notes are an integral part of  
these financial statements

DAVID HUCKIN & ASSOCIATES, INC.  
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY  
Years ended December 31, 2001 and 2000

|   | Common<br>Stock | Additional<br>Paid in Capital | Accumulated<br>Other<br>Comprehensive<br>Income | Retained<br>Earnings | Total             |
|---|-----------------|-------------------------------|---|----------------------|-------------------|
| BALANCE, December 31, 1999                  | \$ 1,000        | \$ 7,257                      | \$ 32,260                                       | \$ 567,848           | \$ 608,365        |
| COMPREHENSIVE INCOME                        |                 |                               |   |                      |                   |
| Net Income                                  |                 |                               |   | 8,333                | 8,333             |
| Other comprehensive income, net of tax:     |                 |                               |   |                      |                   |
| Unrealized gain on securities & annuity:    |                 |                               |   |                      |                   |
| Unrealized holding losses arising during    |                 |                               | (60,068)  |                      | (60,068)          |
| period (net of \$10,601 tax benefit)        |                 |                               |   |                      | (51,735)          |
| TOTAL COMPREHENSIVE INCOME                  |                 |                               |   | 500                  | 500               |
| Dividends Paid                              |                 |                               |   | 575,681              | 575,681           |
| BALANCE, December 31, 2000                  | <u>1,000</u>    | <u>7,257</u>                  | <u>(27,808)</u>                                 |                      | <u>556,130</u>    |
| COMPREHENSIVE INCOME                        |                 |                               |   |                      |                   |
| Net income                                  |                 |                               |   | 35,959               | 35,959            |
| Other comprehensive income, net of tax:     |                 |                               |   |                      |                   |
| Unrealized loss on securities:              |                 |                               |   |                      |                   |
| Unrealized holding loss arising during      |                 |                               | (28,371)  |                      | (28,371)          |
| period (net of \$7,406 tax benefit)         |                 |                               |   |                      | (108,777)         |
| Less: reclassification adjustment for gains |                 |                               |   |                      | (101,189)         |
| in net income                               |                 |                               | (108,777)                                       |                      | (108,777)         |
| TOTAL COMPREHENSIVE INCOME                  |                 |                               |   |                      | (101,189)         |
| BALANCE, December 31, 2001                  | <u>\$ 1,000</u> | <u>\$ 7,257</u>               | <u>\$ (164,956)</u>                             | <u>\$ 611,640</u>    | <u>\$ 454,941</u> |

The accompanying notes are an integral part of  
these financial statements

DAVID HUCKIN & ASSOCIATES, INC.  
STATEMENTS OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF CREDITORS  
Years ended December 31, 2001 and 2000

|                            |               |
|----------------------------|---------------|
| BALANCE, December 31, 1999 | \$ -0-        |
| Increases                  | -0-           |
| Decreases                  | <u>-0-</u>    |
| BALANCE, December 31, 2000 | -0-           |
| Increases                  | -0-           |
| Decreases                  | <u>-0-</u>    |
| BALANCE, December 31, 2001 | \$ <u>-0-</u> |

The accompanying notes are an integral part of  
these financial statements

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its accounts on the accrual method of accounting in accordance with generally accepted accounting principles. Accounting principles and the methods of applying those principles which materially affect determination of financial position, results of operations, and cash flow are summarized below:

#### Nature of Business

The Company is engaged as an agent for the sale of annuities and mutual funds to educators in Harris and surrounding counties in Texas.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Revenue Recognition

Commission revenue is recognized when the annuity issuer or mutual fund broker accepts the underlying sales contract and at contract renewal dates. Commission refunds are recognized when the Company is notified of policy cancellation by the annuity issuer.

#### Accounts Receivable

All trade accounts receivable at December 31, 2001 and 2000 were verified as collected. No allowance for doubtful accounts is needed.

#### Investments

The Company classifies its marketable equity securities as available-for-sale. Securities classified as available-for-sale are carried in the financial statements at fair value. Realized gains and losses are included in earnings; unrealized holding gains and losses are reported in other comprehensive income.

## NOTES TO FINANCIAL STATEMENTS

### Depreciation

The Company computes depreciation for financial statement purposes principally by the straight line method based upon the estimated useful lives of the respective assets. Depreciation is based upon the following estimated useful lives:

|                        |             |
|------------------------|-------------|
| Furniture and fixtures | 5 - 7 years |
| Office equipment       | 5 years     |
| Leasehold improvements | 3 years     |
| Automotive equipment   | 5 years     |

For federal income tax purposes the Company uses accelerated methods over statutory periods.

### Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2001 and 2000 were \$17,630 and \$16,658, respectively.

### Deferred Income Tax

For income tax reporting, the Company uses the cash basis of accounting. Deferred income taxes have been recorded for the differences in accounts receivable and accounts payable. The Company also uses accounting methods that recognize depreciation sooner than for financial statement reporting. As a result, the basis of property and equipment for financial reporting exceeds its tax basis. Deferred income taxes have been recorded for the excess, which will be taxable in future periods through reduced depreciation deductions for tax purposes. Also, for income tax reporting, unrealized gains and losses on available-for-sale marketable securities are not included in taxable income. As a result, the basis of marketable securities for financial reporting differs from the tax basis by the cumulative amount of unrealized holding gains and losses. Deferred income taxes have been recorded for the difference, which will be taxable or deductible in future periods when the securities are sold.

### Cash Equivalents

Holdings of highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2-RESERVE REQUIREMENTS

The Company does not maintain customer accounts and therefore, is not subject to reserve requirements defined in the Securities and Exchange Commission Rule 15c3-3. The Company claims exemption under sub-section (k) (1) of this Rule. Nothing came to my attention to indicate that the exemption has not been complied with during the period since my last examination.

### NOTE 3-MARKETABLE EQUITY SECURITIES

Cost and fair value of marketable equity securities at December 31, 2001 and 2000, are as follows:

|                     | <u>Amortized<br/>Cost</u> | <u>Gross<br/>Unrealized<br/>Gain</u> | <u>Gross<br/>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
|---------------------|---------------------------|--------------------------------------|--|-----------------------|
| December 31, 2001   |                           |                                      |  |                       |
| Available-for-sale: |                           |                                      |  |                       |
| Equity securities   | \$ 480,501                | \$ 7,445                             | \$ 198,962                             | \$ 288,984            |
| December 31, 2000   |                           |                                      |  |                       |
| Available-for-sale: |                           |                                      |  |                       |
| Equity securities   | \$ 418,602                | \$ 10,756                            | \$ 152,901                             | \$ 276,457            |

Actual cost was used in calculating realized gains. The change in net unrealized holding losses on securities available-for-sale in the amount of \$49,372 and \$31,504 has been charged to other comprehensive income for the years ended December 31, 2001 and 2000, respectively. Increase in unrealized loss since the balance sheet date, \$19,493.

### NOTE 4-FEDERAL INCOME TAX PROVISION

The provision for (benefit from) income taxes consists of the following:

|   | December 31,       |                   |
|---|--------------------|-------------------|
|   | <u>2001</u>        | <u>2000</u>       |
| Income tax (benefit) at<br>statutory rates, | \$ -0-             | \$ 4,403          |
| Deferred federal income<br>tax (benefit)    | <u>(15,816)</u>    | <u>(7,970)</u>    |
| Federal income tax                          | <u>\$ (15,816)</u> | <u>\$ (3,567)</u> |
|   | =====              | =====             |

## NOTES TO FINANCIAL STATEMENTS

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes because certain income and expenses are not included for tax purposes. Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end. The following represents the approximate tax effects of each significant type of temporary differences giving rise to the following deferred income tax asset and liability:

|   |    |               |                    |
|---|----|---------------|--------------------|
| Deferred tax asset                          |    |               |                    |
| Accounts payable                            | \$ | (3,042)       |                    |
| Accrued commissions                         |    | 3,329         |                    |
| Contributions                               |    | 1,119         |                    |
| NOL carryforward                            |    | 8,375         |                    |
| Unrealized loss on<br>Marketable securities |    | <u>26,561</u> |                    |
|   |    |               | \$ 36,342          |
| Deferred tax liability                      |    |               |                    |
| Accounts receivable                         | \$ | 2,992         |                    |
| Depreciation                                |    | <u>4,416</u>  |                    |
|   |    |               | <u>7,408</u>       |
| Net deferred tax asset                      |    |               | \$ 28,934<br>===== |

### NOTE 5-DESCRIPTION OF LEASING ARRANGEMENTS

The Company leases its office space under an operating lease. The lease runs through November 2004. The monthly lease payment is \$4,797.

The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2001:

| <u>Year ending</u><br><u>December 31,</u> | <u>Amount</u>      |
|---|--------------------|
| 2002                                      | \$ 57,564          |
| 2003                                      | 57,564             |
| 2004                                      | <u>52,767</u>      |
|   | \$167,895<br>===== |

Rental expenses on the office space for the years ended December 31, 2001 and 2000 were \$58,307 and \$60,276, respectively.

## NOTES TO FINANCIAL STATEMENTS

In addition, the Company leases a vehicle accounted for under an operating lease. This is a two year lease that runs through February 2002. The monthly lease payment is \$1,356. This is recorded under automobile expense on the statements.

The following is a schedule of future minimum lease payments required under the above lease as of December 31, 2001:

| <u>Year ending</u><br><u>December 31,</u> | <u>Amount</u> |
|---|---------------|
| 2002                                      | \$ 2,712      |
|   | =====         |

Lease expense on the vehicle for the years ended December 31, 2001 and December 31, 2000 were \$16,272 and \$12,205, respectively.

### NOTE 6-EMPLOYEE BENEFIT PLANS

The Company has adopted a noncontributory money purchase pension plan and a profit sharing plan which cover all employees who have met certain minimum service requirements. The plan allows the Company to contribute the lesser of \$35,000 or 25% of the employee's eligible compensation. Certain contributions are discretionary. The plan has received IRS approval under Section 401(A) of the Internal Revenue Code. During the years ended December 31, 2001 and 2000, the Company provided for contributions to the plan in the amounts of \$35,000 and \$30,000, respectively.

### NOTE 7-CONTINGENCY

Commission revenue is refundable to the annuity issuer if the annuity policy is canceled within certain specified time periods as determined by the various issuers with whom the Company contracts.

### NOTE 8-FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents – the carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

## NOTES TO FINANCIAL STATEMENTS

Accounts receivable and accounts payable – the carrying amount of accounts receivable and accounts payable in the balance sheet approximates fair value.

### NOTE 9-RELATED PARTY TRANSACTIONS

The sole stockholder had made a short-term loan to the company of \$152,000 in 2000. It was repaid in the first quarter of 2001. There were no other related party transactions.

### NOTE 10-RISKS AND UNCERTAINTIES

The Company's business is concentrated in the local Universities and school districts. The Company has contracts with the separate schools and districts to offer financial products to their employees. The Company also has contracts with several financial companies that offer these financial products. The loss of any of these contracts could adversely affect the Company's commission income.

SUPPLEMENTAL INFORMATION

DAVID HUCKIN & ASSOCIATES, INC.  
SCHEDULE I  
SCHEDULES OF NET CAPITAL PURSUANT  
TO RULE 15c-3-3  
December 31, 2001 and 2000

|                      | <u>2001</u>         | <u>2000</u>        |
|----------------------|---------------------|--------------------|
| Current Assets       | \$ 149,116          | \$ 225,162         |
| Securities           | 288,892             | 276,455            |
| Deposits             | 4,796               | 4,796              |
| Investment           | -0-                 | 107,750            |
| Annuity              | -0-                 | 237,967            |
| Total Liabilities    | <u>23,668</u>       | <u>333,777</u>     |
| Net Equity           | 419,136             | 518,353            |
| Haircuts             |                     |                    |
| Security positions   | 43,334              | 41,468             |
| Undue concentrations | 13,884              | 22,790             |
| Non-allowable Items  | <u>186,314</u>      | <u>424,441</u>     |
| Adjusted Net Capital | 175,604             | 29,654             |
| Net Capital Required | <u>5,000</u>        | <u>5,000</u>       |
| Excess Net Capital   | \$ 170,604<br>===== | \$ 24,654<br>===== |

DAVID HUCKIN & ASSOCIATES, INC.  
SCHEDULE II  
RECONCILIATION OF FIRM'S NET CAPITAL  
PURSUANT TO RULE 17a-5(d) (1)  
December 31, 2001

Reconciliation of the overstatement of the firm's net capital for the year ended December 31, 2001 pursuant to SEC rule 17a-5 (d) (1).

COMPUTATION OF NET CAPITAL

|   |                          |
|---|--------------------------|
| Total ownership equity, as reported on unaudited focus report   | \$ 369,606               |
| Reconciliation to Audited Statements                            |                          |
| Accounts receivable not recorded on unaudited report            | 12,568                   |
| Federal income tax overpayment not recorded on unaudited report | 5,517                    |
| Deferred tax asset not recorded on unaudited report             | 16,068                   |
| Fixed assets (net) not retired on unaudited report              | 6,228                    |
| Accounts payable not recorded on unaudited report               | (2,494)                  |
| Commissions payable not recorded on unaudited report            | (5,927)                  |
| Federal income tax payable over accrued on unaudited report     | 27,650                   |
| Deferred tax liability over accrued on unaudited report         | <u>25,725</u>            |
| Ownership Equity, per audited statements                        | 454,941                  |
| Deduction for non-current assets                                |                          |
| Property and Equipment, net of depreciation                     | <u>(35,805)</u>          |
| Net Equity  | 419,136                  |
| Haircuts  |                          |
| Securities positions  | 43,334                   |
| Undue concentrations  | 13,884                   |
| Non-allowable Items   | <u>186,314</u>           |
| Adjusted Net Capital  | 175,604                  |
| Net Capital Required  | <u>5,000</u>             |
| Excess Net Capital  | \$ <u><u>170,604</u></u> |

# KENNETH E. EFFINGER

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Cellular 281-546-1083

Board of Directors  
David Huckin & Associates, Inc.  
Houston, Texas

In planning and performing my audit of the financial statements and supplemental schedules of David Huckin & Associates, Inc., for the years ended December 31, 2001 and 2000, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my 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), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I 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 the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I 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

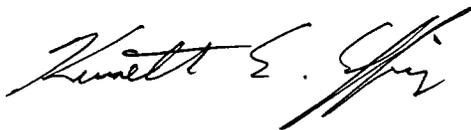
Board of Directors  
David Huckin & Associates, Inc.  
Page 2

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.

My 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, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I 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. Bases on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31 2001 and 2000, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.



February 19, 2002