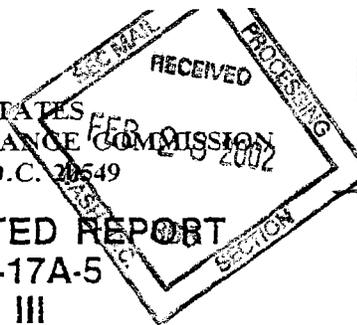




UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



PP 3/4

OMB APPROVAL	
OMB Number:	3235-0123
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Estimated average burden hours per response . . .	12.00
SEC FILE NUMBER	
8-	43057

**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  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Managers Distributors, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
40 Richards Avenue

OFFICIAL USE ONLY
FIRM ID. NO.

(No. and Street)		
Norwalk	Connecticut	06854
(City)	(State)	(Zip Code)

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

Donald S. Rumery 203-831-4122  
(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Schwartz & Hofflich LLP

(Name — if individual, state last, first, middle name)			
37 North Avenue	Norwalk	Connecticut	06851-3832
(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 15 2002

FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

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

3/13/02

OATH OR AFFIRMATION

I, Donald S. Rumery, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Managers Distributors, Inc.

as of December 31, 192001, 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:

N/A

Donald S. Rumery  
Signature  
Treasurer  
Title

Joan M. Donhe B  
JOAN M. DONHEB  
NOTARY PUBLIC  
My Commission Expires April. 30, 2005

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Auditor's report on the study and evaluation of internal controls
- (p) Exemption provision under Rule 15c3-3

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

**MANAGERS DISTRIBUTORS, INC.**

**Financial Statements**

**December 31, 2001 and 2000**

## TABLE OF CONTENTS

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Annual audited report form X-17A-5	



CERTIFIED PUBLIC ACCOUNTANTS  
FINANCIAL ADVISORS

LAWRENCE FELDMAN, CPA  
NEIL BAYER, CPA  
GILBERT K. WATKINS, CPA  
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HENRY HOFFLICH, CPA

VICTOR J. PALADINO, CPA  
SCOTT INGERMAN, CPA

### Independent auditor's report

To the Board of Directors:  
Managers Distributors, Inc.  
Norwalk, CT

We have audited the accompanying balance sheets of Managers Distributors, Inc. as of December 31, 2001 and 2000, and the related statements of income, changes in shareholder's equity and cash flows for the year ended December 31, 2001, and for the period of December 27, 2000 (date of inception) to December 31, 2000. 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 from 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 Managers Distributors, Inc. as of December 31, 2001 and 2000, and the results of its operations, changes in shareholder's equity and cash flows for the year ended December 31, 2001 and for the period December 27, 2000 (date of inception) to December 31, 2000, in conformity with accounting principles generally accepted in the United States.

February 20, 2002

37 NORTH AVENUE, NORWALK, CONNECTICUT 06851-3832

MEMBER OF  DFK INTERNATIONAL WITH AFFILIATED OFFICES WORLDWIDE

MANAGERS DISTRIBUTORS, INC.

BALANCE SHEETS

As of December 31,

	<u>2001</u>	<u>2000</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 234,379	\$ 20,000
Accounts receivable	69,825	0
Prepaid expenses	<u>9,000</u>	<u>0</u>
<b>Total assets</b>	<b><u>\$ 313,204</u></b>	<b><u>\$ 20,000</u></b>
 <b>Liabilities and shareholder's equity</b>		
<b>Current liabilities</b>		
Accrued income taxes payable	\$ 16,047	\$ 250
Accounts payable	4,486	0
Accrued expenses	<u>131,127</u>	<u>0</u>
<b>Total liabilities</b>	<b><u>151,660</u></b>	<b><u>250</u></b>
<b>Shareholder's equity</b>		
Common stock (50,000 shares authorized, 1,000 shares issued and outstanding; par value \$.01 share)	10	10
Paid in capital	129,990	19,990
Retained earnings (deficit)	<u>31,544</u>	<u>(250)</u>
<b>Total shareholder's equity</b>	<b><u>161,544</u></b>	<b><u>19,750</u></b>
<b>Total liabilities and shareholder's equity</b>	<b><u>\$ 313,204</u></b>	<b><u>\$ 20,000</u></b>

See accompanying notes.

**MANAGERS DISTRIBUTORS, INC.**

**STATEMENTS OF OPERATIONS**

	For the year ended <u>December 31, 2000</u>	For the period from December 27, 2000 (date of inception) to <u>December 31, 2000</u>
<b>Revenue</b>	\$ <u>1,034,612</u>	\$ <u>0</u>
<b>Expenses:</b>		
Salaries	664,893	0
Employee benefits	71,792	0
Payroll taxes	44,536	0
Professional fees	4,538	0
Travel	121,378	0
Conferences	5,978	0
Printing	2,913	0
Trade shows	18,748	0
Office expenses	21,174	0
NASD fees	4,216	0
Miscellaneous	<u>26,031</u>	<u>0</u>
Total expenses	<u>986,197</u>	<u>0</u>
Income before other income and provision for income taxes	48,415	0
Other income	<u>7,625</u>	<u>0</u>
Income before provision for income taxes	56,040	0
Provision for income taxes	<u>24,246</u>	<u>250</u>
<b>Net income (loss)</b>	<u>\$ <u>31,794</u></u>	<u>\$ <u>(250)</u></u>

See accompanying notes.

**MANAGERS DISTRIBUTORS, INC.**

**STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**

**For the year ended December 31, 2001 and  
for the period from December 27, 2000 (date of inception) to December 31, 2000**

	<u>Common Stock</u>	<u>Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
<b>Balance, December 27, 2000</b>	\$ 0	\$ 0	\$ 0	\$ 0
Issuance of stock	10	19,990	0	20,000
Net loss	<u>0</u>	<u>0</u>	<u>(250)</u>	<u>(250)</u>
<b>Balance, December 31, 2000</b>	\$ 10	\$ 19,990	\$ (250)	\$ 19,750
Additional capital contributions	0	110,000	0	110,000
Net income	<u>0</u>	<u>0</u>	<u>31,794</u>	<u>31,794</u>
<b>Balance, December 31, 2001</b>	<u>\$ 10</u>	<u>\$ 129,990</u>	<u>\$ 31,544</u>	<u>\$ 161,544</u>

See accompanying notes.

**MANAGERS DISTRIBUTORS, INC.**

**STATEMENTS OF CASH FLOWS**

	For the year ended <u>December 31, 2000</u>	For the period from December 27, 2000 (date of inception) to <u>December 31, 2000</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ 31,793	\$ (250)
Adjustments to reconcile net loss to net cash used by operating activities:		
(Increase) in accounts receivables	(69,825)	0
(Increase) in prepaid expenses	(9,000)	0
Increase in accrued expenses	131,127	0
Increase in accounts payable	4,487	0
Increase in accrued income tax payable	<u>15,797</u>	<u>250</u>
<b>Net cash used in operating activities</b>	<u>104,379</u>	<u>0</u>
<b>Cash flows from financing activities:</b>		
Cash purchase for common stock	0	20,000
Cash contributions to capital	<u>110,000</u>	<u>0</u>
<b>Net cash provided by financing activities</b>	<u>110,000</u>	<u>20,000</u>
<b>Cash flows from investing activities</b>		
	<u>0</u>	<u>0</u>
<b>Net cash flows</b>	214,379	20,000
Cash and cash equivalents, at beginning of period	<u>20,000</u>	<u>0</u>
<b>Cash and cash equivalents, at end of period</b>	<u>\$ 234,379</u>	<u>\$ 20,000</u>
<b>Supplemental disclosure of cash flow information</b>		
Income taxes paid	\$ 8,198	\$ 0
Interest paid	\$ 0	\$ 0

See accompanying notes.

MANAGERS DISTRIBUTORS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

NOTE 1- PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Incorporation and principal business activity

Managers Distributors, Inc. ("the Company"), a wholly owned subsidiary of The Managers Funds, LLC ("LLC"), is incorporated under the laws of Delaware. The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") pursuant to Section 15 under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. ("NASD"). The Company's principal business is to act as a distributor of mutual fund shares for a family of funds known as Managers Funds.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents represent balances in the Managers Money Market Fund, to which the LLC provides administrative and shareholder services.

NOTE 2- RELATED PARTY TRANSACTIONS

In January 2001, the Company entered into an agreement with the LLC to provide distribution services for mutual fund shares in The Managers Funds. The fee is based on a percentage of certain Company overhead expenses. The LLC assumes certain of the Company's expenses such as occupancy, telephone and utilities, bookkeeping and certain personnel costs. The officers of the Company service as officers to related companies, including the Company's parent.

The accounts receivable of \$69,825 as of December 31, 2000, is from the Company's parent for services rendered.

NOTE 3 - INCOME TAXES

The income tax provision consists of the following:

	<u>2001</u>	<u>2000</u>
Federal	\$ 16,984	\$ 0
State	7,262	250
	<u>\$ 24,246</u>	<u>\$ 250</u>

**MANAGERS DISTRIBUTORS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2001 and 2000**

**NOTE 4- EMPLOYEE BENEFIT PLAN**

The LLC maintains a 401(k) profit sharing plan ("the Plan") covering the employees of the Company. The Company's contributions to the Plan are based upon a percentage of the employee's eligible annual compensation. Plan expenses for the year ended December 31, 2001 was \$36,500.

**NOTE 5- NET CAPITAL REQUIREMENTS**

As a registered broker-dealer, the company is subject to Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. This 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. As of December 31, 2001, the Company had net capital of \$78,379, of which \$68,268 was in excess of the minimum required net capital of \$10,111. The Company's ratio of aggregate indebtedness to net capital was 1.93 to 1 as of December 31, 2001.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA

Schedule I (pg 1)

BROKER OR DEALER

Managers Distributors, Inc.

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STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND  
CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) December 31, 2001

SEC FILE NO. 8-63057

Consolidated

Unconsolidated

Total

ASSETS

	Allowable	Non-Allowable	Total
1. Cash	\$ 17,387		\$ 17,387
2. Receivables from brokers or dealers:			
A. Clearance account	295		
B. Other	300	550	810
3. Receivables from non-customers	355	600	820
4. Securities and spot commodities owned, at market value:			
A. Exempted securities	418		
B. Debt securities	419		
Options	420		
D. Other securities	216,992	424	
E. Spot commodities	430		216,992
5. Securities and/or other investments not readily marketable:			
A. At cost	130		
B. At estimated fair value	440	610	86
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities	150		
B. Other securities	160		
7. Secured demand notes:			
market value of collateral:			
A. Exempted securities	170		
B. Other securities	180		
8. Memberships in exchanges:			
A. Owned, at market	190		
B. Owned, at cost		650	
C. Contributed for use of the company, at market value		660	91
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	69,825	670
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	490	580	
11. Other assets	535	9,000	735
12. TOTAL ASSETS	\$ 234,379	\$ 78,825	\$ 313,204

OMIT PEN:

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA

Schedule I (pg 2)

BROKER OR DEALER

Managers Distributors, Inc.

as of December 31, 2001

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING  
AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable.....	\$ 1045	\$ 1255	
14. Payable to brokers or dealers:			
A. Clearance account.....	1114	1315	
B. Other.....	1115	1305	
15. Payable to non-customers.....	1155	1355	
16. Securities sold not yet purchased, at market value.....		1360	
17. Accounts payable, accrued liabilities, expenses and other.....	151,660	1385	151,660
i. Notes and mortgages payable:			
A. Unsecured.....	1210		
B. Secured.....	1211	1390	
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$.....	970		
2. Includes equity subordination (15c3-1 (d)) of .... \$.....	980		
B. Securities borrowings, at market value:...			
from outsiders \$.....	990	1410	
C. Pursuant to secured demand note collateral agreements:.....			
1. from outsider \$.....	1000	1420	
2. Includes equity subordination (15c3-1 (d)) of .... \$.....	1010		
D. Exchange memberships contributed for use of company, at market value.....		1430	
E. Accounts and other borrowings not qualified for net capital purposes.....	1220	1440	
20. TOTAL LIABILITIES.....	\$ 151,660	\$ 1450	\$ 151,660

Ownership Equity

21. Sole proprietorship.....			
22. Partnership (limited partners.....)	\$ 1020		
23. Corporation:			
A. Preferred stock.....			
B. Common stock.....			10
C. Additional paid-in capital.....			129,990
D. Retained earnings.....			31,544
E. Total.....			161,544
F. Less capital stock in treasury.....			
24. TOTAL OWNERSHIP EQUITY.....			\$ 161,544
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY.....			\$ 313,204

OMIT

BROKER OR DEALER

as of December 31, 2007

Managers Distributors, Inc.

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	161,544	
2. Deduct ownership equity not allowable for Net Capital			
3. Total ownership equity qualified for Net Capital		161,544	
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			
B. Other (deductions) or allowable credits (List)			
5. Total capital and allowable subordinated liabilities	\$	161,544	
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	\$	78,825	3540
B. Secured demand note deficiency			3590
C. Commodity futures contracts and spot commodities- proprietary capital charges			3600
D. Other deductions and/or charges			3610
7. Other additions and/or allowable credits (List)			
8. Net capital before haircuts on securities positions	\$	82,719	
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Exempted securities			3735
2. Debt securities			-3733
3. Options			3730
4. Other securities		4,340	3734
D. Undue Concentration			3680
E. Other (List)			3736
10. Net Capital	\$	78,379	

OMIT PE

Reconciliation of net capital differences between focus Report and Annual Audited Report

Net capital, as reported in Focus Report	89,207
<u>Audit Adjustments:</u>	
(1) Increase in accrued expenses payable	<u>10,828</u>
 Net capital	 <u>78,379</u>

BROKER OR DEALER

as of December 31 200

Managers Distributors, Inc.

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$	<u>10,111</u>
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	<u>5,000</u>
13. Net capital requirement (greater of line 11 or 12)	\$	<u>10,011</u>
14. Excess net capital (line 10 less 13)	\$	<u>68,368</u>
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	<u>63,213</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.L. liabilities from Statement of Financial Condition	\$	<u>151,660</u>
17. Add:		
A. Drafts for immediate credit	\$	<u>3800</u>
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	<u>3810</u>
C. Other unrecorded amounts (List)	\$	<u>3820</u>
19. Total aggregate indebtedness	\$	<u>151,660</u>
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	<u>1.93</u>
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-2 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debts	\$	
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	
24. Net capital requirement (greater of line 22 or 23)	\$	
25. Excess net capital (line 10 less 24)	\$	
26. Net capital in excess of:		
5% of combined aggregate debit items or \$120,000	\$	

OMIT

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 2% of aggregate debts if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-6, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA

Schedule III

BROKER OR DEALER

as of December 31, 2001

Managers Distributors, Inc.

Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (x) (1)—\$2,500 capital category as per Rule 15c3-1 X
- B. (x) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained --
- C. (x) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm: 4335 --
- D. (x) (3)—Exempted by order of the Commission --

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or n)
Y	4600	4601	4602	4603	4604
Y	4610	4611	4612	4613	4614
Y	4620	4621	4622	4623	4624
Y	4630	4631	4632	4633	4634
Y	4640	4641	4642	4643	4644
Y	4650	4651	4652	4653	4654
Y	4660	4661	4662	4663	4664
Y	4670	4671	4672	4673	4674
Y	4680	4681	4682	4683	4684
Y	4690	4691	4692	4693	4694

TOTAL \$           --           4699

OMIT PENNIES

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

- WITHDRAWAL CODE:      DESCRIPTION
- 1.                      Equity Capital
  - 2.                      Subordinated Liabilities
  - 3.                      Accruals
  - 4.                      15c3-1(c)(2)(iv) Liabilities



CERTIFIED PUBLIC ACCOUNTANTS  
FINANCIAL ADVISORS

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SCOTT INGERMAN, CPA

## SUPPLEMENTARY REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of  
Managers Distributors, Inc.

In planning and performing our audit for the financial statements of Managers Distributors, Inc. for the year ended December 31, 2001, we considered its internal control structure, 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 the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practice and procedures) followed by Managers Distributors, Inc. that we considered relevant to the objectives stated in rule 17a-5(g), to make the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and reserve required by rule 15c3-3(e). We did not review the practices and procedures followed by the Company (i) in making the quarterly securities examinations, counts, verification and comparisons and the recordation of differences required by rule 17a-13; (ii) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3 and (iii) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company's transactions are limited to the purchase, sale and redemption of redeemable securities of registered investment companies. The Company also promptly transmits all customer funds and delivers all securities received in connection with activities as broker-dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers.

37 NORTH AVENUE, NORWALK, CONNECTICUT 06851-3832

MEMBER OF  DFK INTERNATIONAL WITH AFFILIATED OFFICES WORLDWIDE

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control structure policies and procedures 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 Commission's above-mentioned objectives.

The objective of an internal control structure and of the practices and procedures is 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 any internal control structure or the practices and procedures referred to above, errors or irregularities 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 the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to 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 the internal control structure, including procedures 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 Commission 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 Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on rule 17a-5(g) under the Securities and Exchange Act of 1934 and should not be used for any other purpose.

*Schwartz & Hofflich* LLP  
February 20, 2002

# Schwartz & Hofflich <sup>LLP</sup>

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February 20, 2002

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NASD  
9513 Key West Avenue  
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Re: The Managers Distributors, Inc.  
CRD#27314

Pursuant to Rule 17a-5(e)(4), for the year ending December 31, 2001, The Managers Distributors, Inc. exclusively distributes registered open-end investment company shares.

*Schwartz & Hofflich LLP*

Schwartz & Hofflich LLP