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MISSION

Washington, D.C. 20549

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

**SECRET NUMBER**  
 849285  
 FEB 28 2002

**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 January 1, 2001 AND ENDING December 31, 2001  
 MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
 Evets Financial Securities, Inc.

OFFICIAL USE ONLY  
 FIRM ID. NO.

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

3890 South Lindbergh Blvd. Suite 200

(No. and Street)

St. Louis,

(City)

Missouri

(State)

63127

(Zip Code)

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

Steven L. Hogan

(314) 843-2012

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Rubin, Brown, Gornstein & Co. LLP

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

230 South Bemiston Avenue

(Address)

Clayton,

(City)

Missouri

(State)

63105

(Zip Code)

CHECK ONE:

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

**PROCESSED**

**MAR 19 2002**

**THOMSON FINANCIAL**

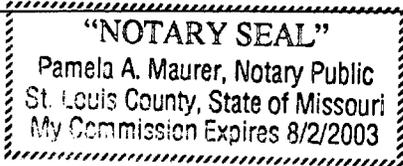
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\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

1093-18

**OATH OR AFFIRMATION**

I, Steven L. Hogan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Evets Financial Securities, 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:



*Steven L. Hogan*  
 \_\_\_\_\_  
 Signature  
*President*  
 \_\_\_\_\_  
 Title

*Pamela A. Maurer*  
 \_\_\_\_\_  
 Notary Public  
 Pamela A. Maurer

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

- (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 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) 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).

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**EVETS FINANCIAL SECURITIES, INC.**

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**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2001**

**Assets**

Cash	\$ 9,829
Prepaid insurance	<u>2,673</u>
	<u>\$ 12,502</u>

**Liabilities And Stockholders' Equity (Deficit)**

**Liabilities**

Subordinated borrowings (Note 3)	\$ 75,000
Accounts payable	<u>3,722</u>
<b>Total Liabilities</b>	<u>78,722</u>

**Stockholders' Equity (Deficit)**

Common stock:	
Authorized 30,000 shares of \$1 par value; issued and outstanding 30,000 shares	30,000
Additional paid-in capital	95,700
Retained earnings (deficit)	<u>(191,920)</u>
<b>Total Stockholders' Equity (Deficit)</b>	<u>(66,220)</u>
	<u>\$ 12,502</u>

# EVETS FINANCIAL SECURITIES, INC.

## STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) For The Year Ended December 31, 2001

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Stockholders'</u>
			<u>Capital</u>	<u>(Deficit)</u>	<u>Equity</u>
					<u>(Deficit)</u>
Balance - Beginning Of Year	1,000	\$ 1,000	\$ 69,700	\$ (136,916)	\$ (66,216)
Capital Contribution	—	—	26,000	—	26,000
Stock Dividend (Note 4)	29,000	29,000	—	(29,000)	—
Net Loss	—	—	—	(26,004)	(26,004)
<b>Balance - End Of Year</b>	<b>30,000</b>	<b>\$ 30,000</b>	<b>\$ 95,700</b>	<b>\$ (191,920)</b>	<b>\$ (66,220)</b>

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**EVETS FINANCIAL SECURITIES, INC.**

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**STATEMENT OF INCOME**  
**For The Year Ended December 31, 2001**

<b>Revenues</b>	
Asset management fees	\$ 3,167
Interest income	108
<b>Total Revenues</b>	<u>3,275</u>
<b>Operating Expenses</b>	
Exchange and clearance fees	4,454
Interest	4,275
Professional fees	11,301
Other expenses	9,249
<b>Total Operating Expenses</b>	<u>29,279</u>
<b>Net Loss</b>	<u><u>\$ (26,004)</u></u>

**EVETS FINANCIAL SECURITIES, INC.**

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**STATEMENT OF CHANGES IN SUBORDINATED BORROWINGS**  
**For The Year Ended December 31, 2001**

Subordinated borrowings at January 1, 2001	\$ 75,000
No changes	<u>—</u>
Subordinated borrowings at December 31, 2001	<u><u>\$ 75,000</u></u>

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**EVETS FINANCIAL SECURITIES, INC.**

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**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31, 2001**

<b>Cash Flows From Operating Activities</b>	
Net loss	\$ (26,004)
Adjustments to reconcile net loss to net cash used in operating activities:	
Amortization	1,939
Increase in prepaid insurance	(2,673)
Increase in accounts payable	3,722
<b>Net Cash Used In Operating Activities</b>	<u>(23,016)</u>
<b>Net Cash Provided By Financing Activities</b>	
Capital contribution	<u>26,000</u>
<b>Net Increase In Cash</b>	2,984
<b>Cash - Beginning Of Year</b>	<u>6,845</u>
<b>Cash - End Of Year</b>	<u>\$ 9,829</u>
<b>Supplemental Disclosure Of Cash Flow Information</b>	
Interest paid	<u>\$ 4,275</u>

# EVETS FINANCIAL SECURITIES, INC.

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2001

### 1. Summary Of Significant Accounting Policies

#### Estimates And Assumptions

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.

#### Asset Management Fees

Fee income is recorded as earned.

#### Organization Costs

Organization costs were capitalized and amortized on the straight-line method over five years.

#### Income Taxes

The stockholders of the Company have elected, for federal and state income tax purposes, to be taxed under the Subchapter S provisions of the Internal Revenue Code. Provisions for federal and state income taxes are not reflected in the accompanying financial statements, but rather the stockholders include their distributive share of the taxable income or loss of the Company on their respective income tax returns.

### 2. Operations

Evets Financial Securities, Inc. (the Company) was incorporated on May 1, 1996 and began operations on January 2, 1997 with its principal activity being the private placement of real estate debt obligations and investment advisory services.

The Company has an agreement with a clearing agent in order to clear all its trades.

## **EVETS FINANCIAL SECURITIES, INC.**

### Notes To Financial Statements *(Continued)*

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital of \$5,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2001, the Company was in compliance with both of the above-stated net capital rules.

### **3. Subordinated Borrowings**

The borrowings under a subordination agreement at December 31, 2001 consist of two subordinated notes from a stockholder of the Company, bearing interest at the prime rate plus .75%. The first note of \$25,000 is due March 1, 2004 and the second of \$50,000 is due July 20, 2005.

The subordinated borrowings are available for computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

### **4. Stock Dividend**

On May 25, 2001, the Company distributed 29,000 shares of common stock in connection with a stock dividend. As a result of the stock dividend, common stock was increased by \$29,000 and retained earnings was decreased by \$29,000.

### **5. Commitment**

The Company is obligated to an affiliated company for professional management services and allocated costs. The agreement is subject to revision annually. The current agreement was negotiated in May 2001 with a fee of fifty percent of the asset management fees and one hundred percent of the financial planning fees earned by the Company after deducting actual operating expenses of the Company to be paid on a quarterly basis. There were no fees paid in 2001 under this agreement.



**Independent Auditors' Report On Supplementary  
Information Required By Rule 17a-5 Of The  
Securities And Exchange Commission**

Board of Directors  
Evets Financial Securities, Inc.  
St. Louis, Missouri

We have audited the accompanying financial statements of Evets Financial Securities, Inc. as of and for the year ended December 31, 2001, and have issued our report thereon dated January 31, 2002. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules presented on pages 12 and 13 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 Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the 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.

*Rubin, Brown, Gornstein & Co. LLP*

January 31, 2002

Rubin, Brown, Gornstein & Co. LLP	230 South Bemiston Avenue
Certified Public Accountants / Business Consultants	St. Louis, MO 63105

# EVETS FINANCIAL SECURITIES, INC.

## COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2001

### Net Capital

Total stockholders' equity (deficit) \$ (66,220)

#### Add:

Subordinated borrowings allowable in  
computation of net capital 75,000

Total Capital And Allowable  
Subordinated Borrowings 8,780

#### Deductions and/or charges:

Prepaid insurance 2,673

**Net Capital** \$ 6,107

**Aggregate Indebtedness** \$ 3,722

### Computation Of Basic Net Capital Requirement

Minimum net capital required \$ 248

Minimum dollar net capital requirement \$ 5,000

Net capital requirement (greater of above) \$ 5,000

Excess net capital \$ 1,107

Excess net capital at 1000% \$ 5,735

Ratio of aggregate indebtedness to net capital 0.6 to 1

### Reconciliation With Company's Computation

There are no differences between the Company's computation and the computation above.

**EVETS FINANCIAL SECURITIES, INC.**

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**EXEMPTIVE PROVISION UNDER RULE 15c3-3  
December 31, 2001**

An exemption from Rule 15c3-3 is claimed as the broker-dealer does not hold customer funds or securities. All accounts are on a fully disclosed basis.

Therefore the schedules of "Computation For Determination Of Reserve Requirements Under Rule 15c3-3" and "Information For Possession Or Control Requirement Under Rule 15c3-3" are inapplicable.



## Independent Auditors' Report On Internal Accounting Control

Board of Directors  
Evets Financial Securities, Inc.  
St. Louis, Missouri

In planning and performing our audit of the financial statements of Evets Financial Securities, Inc. 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 the 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 (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, 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

Rubin, Brown, Gornstein & Co. LLP	230 South Bemiston Avenue
Certified Public Accountants / Business Consultants	St. Louis, MO 63105

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 preparation of financial statements in accordance 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 the 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.

Board of Directors  
Evets Financial Securities, Inc.

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This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

*Rubin, Brown, Gornstein & Co. LLP*

January 31, 2002

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***EVETS FINANCIAL SECURITIES, INC.***

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2001*

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## Independent Auditors' Report

Board of Directors  
Evets Financial Securities, Inc.  
St. Louis, Missouri

We have audited the accompanying statement of financial condition of Evets Financial Securities, Inc., an S Corporation, as of December 31, 2001, and the related statements of income, stockholders' equity (deficit), changes in subordinated borrowings and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 Evets Financial Securities, Inc. 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.

*Rubin, Brown, Gornstein & Co. LLP*

January 31, 2002

Rubin, Brown, Gornstein & Co. LLP	230 South Bemiston Avenue
Certified Public Accountants / Business Consultants	St. Louis, MO 63105