



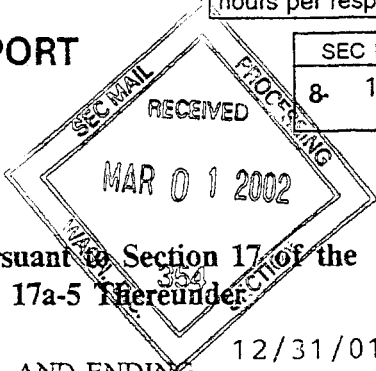
02006809

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

07-5-11-05
OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response . . . 12.00

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

SEC FILE NUMBER
8- 11345



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:

Wachtel & Co., Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

1101 Fourteenth Street, NW

(No. and Street)

Washington, DC

(City)

(State)

20005

(Zip Code)

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

Bonnie K. Wachtel

(202)898-1144

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Steven G. Hirshenson, Chartered Certified Public Accountant

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

50 W. Edmonston Dr. #603 Rockville, Maryland

(Address)

(City)

(State)

20852

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 18 2002

**THOMSON
FINANCIAL**

FOR OFFICIAL USE ONLY

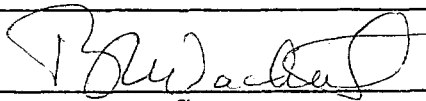
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, Bonnie K. Wachtel, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Wachtel & Co., 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:

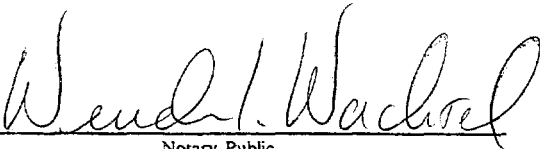
NO EXCEPTIONS



Signature

CEO

Title



Notary Public

Wendie L. Wachtel
Notary Public, District of Columbia
My Commission Expires 11-14-2006

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~~ Changes in Financial Condition. 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.

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

WACHTEL & CO., INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2001

WACHTEL & CO., INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2001

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Stockholders' Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8-9
Supplementary Schedules	
Computation of Net Capital Pursuant to SEC Rule 15c3-1	10
Computation of Cash Reserve Requirement Pursuant to SEC Rule 15c3-3	11
Information for Possession or Control Requirements Under SEC Rule 15c3-3	12
Notice Pursuant to SEC Rule 17a-5(d) (4)	13
Notice Pursuant to SEC Rule 17a-5(j)	14

STEVEN G. HIRSHENSON

CHARTERED

CERTIFIED PUBLIC ACCOUNTANT

50 W. EDMONSTON DRIVE

SUITE 603

ROCKVILLE, MD 20852

TEL: 301-738-8803

FAX: 301-738-8599

INDEPENDENT AUDITOR'S REPORT

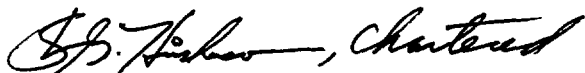
To the Board of Directors
Wachtel & Co., Inc.
Washington, D.C.

We have audited the accompanying statement of financial position of Wachtel & Co., Inc. as of December 31, 2001, and the related statements of operations, changes in stockholders' equity, 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 generally accepted auditing standards. 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 Wachtel & Co., Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained herein 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 *Steven G. Hirshenson, Chartered*

Steven G. Hirshenson, Chartered
January 29, 2002

WACHTEL & CO., INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2001

ASSETS

Cash	\$ 3,106,402
Cash and securities segregated under SEC regulations (Note 2)	1,000,000
Receivable from brokers	225,125
Receivable from customers	10,142
Securities owned - investment account (Note 1)	281,625
Securities owned - trading account (Note 1)	2,962,737
Accrued interest receivable	22,552
Prepaid expenses and deposits	263,283
Prepaid income taxes	-0-
Net fixed assets (notes 1 and 3)	<u>9,059</u>
 TOTAL ASSETS	 <u>\$ 7,880,925</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	\$ 3,736
Income taxes payable	6,673
Payroll taxes payable	24,563
Payable to brokers	143,029
Payable to customers	684,749
Payable to stockholders (Note 4)	2,274,789
Deferred income taxes (Notes 1 and 6)	<u>33,649</u>
 Total Liabilities	 <u>3,171,188</u>
 Capital stock	 52,832
Retained earnings	<u>4,656,905</u>
 Total Stockholders' Equity	 <u>4,709,737</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u>\$ 7,880,925</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WACHTEL & CO., INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2001

Revenues	
Commissions	\$ 384,192
Net inventory and investment losses (Note 1)	(43,582)
Interest	284,258
Dividends (Note 1)	36,592
Consulting fees	53,500
Other	<u>5,723</u>
 Total Revenues	 <u>720,683</u>
Expenses	
Accounting and professional services	5,300
Advertising	672
Clearing charges	34,596
Commissions	16,007
Communications	31,889
Consulting	-0-
Depreciation	1,705
Dues and licenses	5,160
Health benefits	14,963
Insurance	3,138
Miscellaneous	-0-
Office expense	9,747
Officers' salaries	282,000
Pension contribution (Note 5)	47,336
Regulatory fees	10,333
Rent	27,971
Salaries	33,572
Taxes, payroll and other	17,227
Travel and transportation	<u>5,720</u>
 Total Expenses	 <u>547,336</u>
 Income Before Taxes	 173,347
Provision for income taxes (Note 6)	<u>28,761</u>
 Net Income	 <u>\$ 144,586</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WACHTEL & CO., INC.
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2001

	<u>Capital Stock</u>	<u>Retained Earnings</u>
Balances at December 31, 2000	\$ 52,832	\$ 4,512,319
Net Income	<u> </u>	<u>144,586</u>
Balances at December 31, 2001	<u>\$ 52,832</u>	<u>\$ 4,656,905</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WACHTEL & CO., INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2001

Cash Flows from Operating Activities	
Interest received	\$ 281,758
Fees and commissions received	452,915
Net cash flow to purchase and sell trading securities	617,168
Dividends received	36,592
Cash paid to suppliers and employees	(742,938)
Income taxes paid	<u>(7,481)</u>
Net cash From operating activities	<u>638,014</u>
Cash Flows from Investing Activities	
Purchase of fixed assets	(1,705)
Sale of investment account securities	<u>32,396</u>
Net cash used by investing activities	<u>30,691</u>
Net Increase in Cash and Cash Equivalents	668,705
Cash and cash equivalents at beginning of year	<u>3,437,697</u>
Cash and cash equivalents at end of year	<u>\$ 4,106,402</u>
Reconciliation of Net Income to Net Cash From Operating Activities	
Net Income	\$ <u>144,586</u>
Adjustments to reconcile net income to net cash used for operating activities	
Depreciation	1,705
Increase in accrued interest receivable	(2,500)
Decrease in prepaid expenses	829
Increase in deposits	(195,000)
Decrease in prepaid taxes	5,819
Increase in investment account	(19,621)
Decrease in trading account	31,842
Increase in net payables due to customers and brokers	55,925
Decrease in accrued expenses	(3,136)
Increase in income taxes payable	6,673
Increase in deferred taxes	8,788
Increase in payable to stockholders	<u>602,104</u>
Total adjustments	<u>493,428</u>
Net cash from operating activities	<u>\$ 638,014</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WACHTEL & CO., INC.
NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

The accounts of the Corporation are maintained and the financial statements are prepared on the accrual basis of accounting, except for dividends which are recorded as income at the time of receipt.

Securities transactions, including related commission income and expense, are recorded on a trade date basis.

Marketable securities are valued at market value and securities not readily marketable are valued at fair value as determined by the Board of Directors. The resulting difference between cost and market (or fair value) is included in income.

Fixed assets are recorded at cost. Depreciation is provided for using declining balance methods over estimated useful lives ranging from three to five years.

Income taxes are provided at appropriate rates on amounts as determined in the statement of operations except that no provision for taxes is reported to the extent it applies to an increase in the market value of the Investment Account.

2 - Cash and Securities Segregated Under SEC Regulations

U.S. Treasury bonds with a market value of \$1,000,000 (\$500,000 face value; interest at 6.25%; maturity 2/15/03 and \$500,000 face value; interest at 6.50%; maturity 2/28/02) have been segregated in a special reserve account for the benefit of customers under rule 15c3-3 of the Securities and Exchange Commission.

3 - Net Fixed Assets

Net fixed assets consist of the following:

Furniture and Equipment	\$ 20,702
Automobiles	<u>38,486</u>
	59,188
Less: Accumulated Depreciation	<u>(50,129)</u>
Net Fixed Assets	<u>\$ 9,059</u>

WACHTEL & CO., INC.
NOTES TO FINANCIAL STATEMENTS

4 - Transactions with Officers and Stockholders

Amounts receivable and payable to officers and stockholders represent transactions arising in the normal course of business.

5 - Pension Plan

In 1987, the Corporation established simplified employee pension plans for eligible employees. The total pension expense for the year ended December 31, 2001 was \$47,336.

6 - Income Taxes

The income tax provision consists of the following:

Federal	\$ 25,836
Local	<u>2,925</u>
Total	<u>\$ 28,761</u>

Deferred income taxes are principally applicable to the unrecognized gain on the investment inventory.

7 - Lease

The Corporation occupies office space under a lease in effect through February 28, 2002. As of December 31, 2001 the monthly base rent was \$2,248 plus additional rent for any increases in the operating expenses of the building. The lease includes an escalation clause of 3% per year.

8 - Net Capital Requirements

The Corporation is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which 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. At December 31, 2001, the Corporation had net capital of \$4,291,099 which was \$4,041,099 in excess of its required net capital of \$ 250,000.

WACHTEL & CO., INC.
COMPUTATION OF NET CAPITAL PURSUANT TO SEC RULE 15c3-1
DECEMBER 31, 2001

Total Assets	\$ 7,880,925
Total Liabilities	3,171,188
Net Worth	4,709,737
Non-Allowable Assets	115,902
Other Deductions	-0-
Current Capital	4,593,835
Allowable Assets	7,765,023
Haircuts	302,736
Adjusted Net Capital	4,291,099
Liabilities Not Included in Aggregate Indebtedness	570,520
Aggregate Indebtedness	2,600,668
Minimum Required Capital	250,000
Excess Capital	4,041,099
Ratio (AI/Net Capital)61

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WACHTEL & CO., INC.
 COMPUTATION OF CASH RESERVE REQUIREMENT PURSUANT
 TO SEC RULE 15c3-3
DECEMBER 31, 2001

Customer Credit Balances	\$ 684,749
Customers' Securities F/R	46,901
TOTAL CREDITS	731,650
Customer Debit Balances (-1%)	10,041
Customers' Securities F/D	178,258
TOTAL DEBITS	188,299
Excess of Credits Over Debits	543,351
Reserve Requirement @ 105%	570,520
Amount in Reserve a/c (12/31/01)	1,000,000
January Deposit or (Withdrawal)	-0-
New Balance in Account	1,000,000

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

WACHTEL & CO., INC.
INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS
UNDER SEC RULE 15c3-3
DECEMBER 31, 2001

Market Valuation and Number of Items of:

- 1 - Customers' fully paid securities not in Wachtel & Co., Inc.'s possession or control as of December 31, 2001 (for which instructions to reduce to possession or control had been issued) but for which the required action was not taken within the time frame specified under Rule 15c3-3. (Notes A and B below).

Number of Items - NONE

Value - NONE

- 2 - Customers' fully paid securities for which instructions to reduce to possession or control had not been issued as of December 31, 2001, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. (Notes B and C below).

Number of Items - NONE

Value - NONE

NOTES

- A. Item 1 does not include customers' fully paid securities required to be in possession or control, but for which no action was required as of the report date or the required action was taken within the time frames specified in Rule 15c3-3.
- B. Since there were no items reports above, they were not subsequently reduced to possession or control.
- C. Item 2 includes only items not arising form "temporary lags which result from normal business operations".

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Page 12 of 14

STEVEN G. HIRSHENSON
CHARTERED
CERTIFIED PUBLIC ACCOUNTANT

STEVEN G. HIRSHENSON

CHARTERED

CERTIFIED PUBLIC ACCOUNTANT

50 W. EDMONSTON DRIVE

SUITE 603

ROCKVILLE, MD 20852

TEL: 301-738-8803

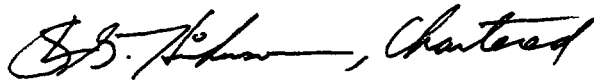
FAX: 301-738-8599

NOTICE PURSUANT TO SEC RULE 17a-5(d)(4)

To the Board of Directors
Wachtel & Co., Inc.
Washington, D.C.

We have compared the Schedule of Computation of Net Capital Under Rule 15c3-1, and the Computation for Determination of Reserve Requirements under Exhibit A of Rule 15c3-3, with the corresponding Schedules filed by Wachtel & Co., Inc. as Part II of its unaudited December 31, 2001 Focus Report.

In our opinion, no material differences exist between the two sets of Schedules.

 *Steven G. Hirshenson, Chartered*

Steven G. Hirshenson, Chartered

January 29, 2002

STEVEN G. HIRSHENSON

CHARTERED

CERTIFIED PUBLIC ACCOUNTANT

50 W. EDMONSTON DRIVE

SUITE 603

ROCKVILLE, MD 20852

TEL: 301-738-8803

FAX: 301-738-8599

NOTICE PURSUANT TO SEC RULE 17a-5(j)

To the Board of Directors
Wachtel & Co., Inc.
Washington, D.C.

Re: Audit Report Dated January 29, 2002
Year Ended December 31, 2001

Pursuant to SEC Rule 17a-5(j), we are advising that we found no material inadequacy in any portion of your accounting and recordkeeping or system of internal control during the course of our examination of your financial statements for the year ended December 31, 2001.

Steven G. Hirshenson, Chartered

Steven G. Hirshenson, Chartered

January 29, 2002