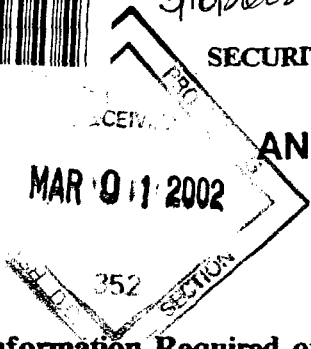




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AA# 3/18/2002



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

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

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

SEC FILE NUMBER 8-48382

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:

GREENBERG FINANCIAL GROUP,

OFFICIAL USE ONLY FIRM ID. NO.

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

4511 N CAMPBELL AVENUE SUITE 235

(No. and Street)

TUCSON

ARIZONA

85718

(City)

(State)

(Zip Code)

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

DEAN GREENBERG

520-544-4909

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SCOTT R. MEYER CPA PC

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

1700 E FT. LOWELL RD SUITE 107 TUCSON

ARIZONA

85719

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED MAR 22 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).

Handwritten signature

OATH OR AFFIRMATION

I, DEAN GREENBERG, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GREENBERG FINANCIAL GROUP, 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


Signature

President

Title

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: (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).

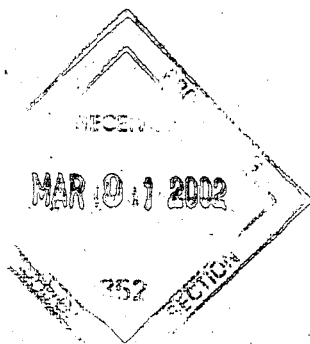


GREENBERG FINANCIAL GROUP, INC.
Tucson, Arizona

Financial Statements & NASD Reports
December 31, 2001 and 2000

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Scott R. Meyer, CPA, P.C.
1700 E. Ft. Lowell Road, Suite 107
Tucson, AZ 85719
(520) 881-3734 Fax 520-918-1041

Independent Auditor's Report

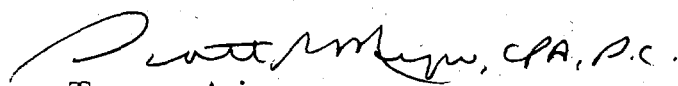
To the Board of Directors
Greenberg Financial Group, Inc.

I have audited the balance sheets of Greenberg Financial Group, Inc. (the Company) as of December 31, 2001 and 2000, and the related statements of income, changes in stockholders' equity and of cash flows for 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 audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America (U.S.). Those standards require that I plan and perform the audits 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 that my audits provide 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 Greenberg Financial Group, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the U.S.

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 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.


Tucson, Arizona
January 17, 2002

STATEMENT 1

GREENBERG FINANCIAL GROUP, INC.
BALANCE SHEETS
DECEMBER 31, 2001 and 2000

| ASSETS | | |
|----------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| | <u>2001</u> | <u>2000</u> |
| Cash and cash equivalents | \$ 25,871 | \$ 40,221 |
| Accounts receivable | 45,079 | 272,639 |
| Due from stockholder | 53,110 | 33,642 |
| Note receivable | 11,500 | 11,500 |
| Employee advance | | 5,897 |
| Prepaid expense | 5,186 | |
| Property and equipment, at cost, less accumulated depreciation of \$48,740 and \$48,783, respectively | 173,020 | 74,627 |
| Investments | 20,100 | 20,100 |
| Deposits and other assets | 37,100 | 12,305 |
| Dain Rauscher correspondence deposit | 25,000 | 25,000 |
| TOTAL ASSETS | <u><u>\$ 395,966</u></u> | <u><u>\$ 495,931</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Accounts payable | \$ 84,164 | \$ 32,911 |
| Accrued payroll and related taxes | 3,973 | 4,158 |
| Capital lease payable | 68,151 | |
| Total liabilities | <u>156,288</u> | <u>37,069</u> |
| STOCKHOLDER'S EQUITY | | |
| Common stock, no par value, 1,000,000 shares authorized; | | |
| 10,000 shares issued and outstanding | 10,000 | 10,000 |
| Owners' paid in capital | 377,319 | 377,319 |
| Retained earnings (accumulated deficit) | (147,641) | 71,543 |
| Total stockholders' equity | <u>239,678</u> | <u>458,862</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' | | |
| EQUITY | <u><u>\$ 395,966</u></u> | <u><u>\$ 495,931</u></u> |

These financial statements should be read only in connection with the
accompanying notes to financial statements

STATEMENT 2

GREENBERG FINANCIAL GROUP, INC.
STATEMENTS OF OPERATIONS
Years Ended December 31, 2001 and 2000

| REVENUES | Year Ended <u>12/31/01</u> | Year Ended <u>12/31/00</u> |
|------------------------------------------------|---------------------------------------|---------------------------------------|
| Commissions | \$ 746,540 | \$ 815,046 |
| Investment advisory and consulting fees | 511,241 | 783,991 |
| Broker-dealer fees | 124,497 | 86,210 |
| Interest | 18,305 | 25,125 |
| Sublease income | 8,099 | |
| Total revenues | <u>1,408,682</u> | <u>1,710,372</u> |
| OPERATING EXPENSES | | |
| Brokerage trading and clearing fees | 359,529 | 382,221 |
| Quotation services | 42,344 | 35,906 |
| Advertising, promotion and seminars | 189,728 | 190,249 |
| Manager and employee compensation and benefits | 667,863 | 684,200 |
| Commissions | 17,051 | 21,689 |
| Professional and consulting fees | 47,577 | 40,267 |
| Office rents | 85,651 | 59,116 |
| Interest expense | 4,524 | |
| Office and other general and administrative | 186,997 | 214,404 |
| Loss on abandonment of assets | 26,602 | |
| Total operating expenses | <u>1,627,866</u> | <u>1,628,052</u> |
| NET INCOME (LOSS) | <u>\$ (219,184)</u> | <u>\$ 82,320</u> |

These financial statements should be read only in connection with the
accompanying notes to financial statements

STATEMENT 3

GREENBERG FINANCIAL GROUP, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2001 and 2000

| | <u>Paid-in Capital</u> | <u>Common Stock</u> | <u>Retained Earnings</u> |
|----------------------------------------------------------|----------------------------|-------------------------|------------------------------|
| STOCKHOLDERS' EQUITY, December 31, 1999 | \$ 352,319 | \$ 10,000 | \$ 49,223 |
| Net income | | | 82,320 |
| Capital contributed | 25,000 | | |
| Dividends paid | | | <u>(60,000)</u> |
| STOCKHOLDERS' EQUITY, December 31, 2000 | 377,319 | 10,000 | 71,543 |
| Net loss | | | <u>(219,184)</u> |
| STOCKHOLDERS' EQUITY, December 31, 2001 | <u>\$ 377,318</u> | <u>\$ 10,000</u> | <u>\$ (147,641)</u> |

These financial statements should be read only in connection with the
accompanying notes to financial statements.

STATEMENT 4

GREENBERG FINANCIAL GROUP, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001 and 2000

| | Year Ended | Year Ended |
|-----------------------------------------------------|-------------------------|-------------------------|
| | <u>12/31/01</u> | <u>12/31/00</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Collections from clients and clearinghouse | \$ 1,609,838 | \$ 1,604,975 |
| Interest income received | 18,305 | 25,125 |
| Interest paid | (4,524) | |
| Sublease income received | 8,099 | |
| Cash paid to suppliers, clearinghouse and employees | <u>(1,573,539)</u> | <u>(1,617,675)</u> |
| Net cash provided by operating activities | <u>58,179</u> | <u>12,425</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Lending of note receivable | | (11,500) |
| Purchase of investments | | (20,100) |
| Fixed assets purchased | <u>(140,680)</u> | <u>(2,045)</u> |
| Net cash used in investing activities | <u>(140,680)</u> | <u>(33,645)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital received | | 25,000 |
| Payments of dividends | | (60,000) |
| Borrowing of note payable, net | <u>68,151</u> | |
| Net cash used in financing activities | <u>68,151</u> | <u>(35,000)</u> |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (14,350) | (56,220) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 40,221 | 96,441 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 25,871</u> | <u>\$ 40,221</u> |

These financial statements should be read only in connection with the accompanying notes to financial statements.

STATEMENT 4

GREENBERG FINANCIAL GROUP, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001 and 2000

RECONCILIATION OF NET INCOME (LOSS)

| TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | Year Ended <u>12/31/01</u> | Year Ended <u>12/31/00</u> |
|------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Net income (loss) | \$ (219,184) | \$ 82,320 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,685 | 15,187 |
| Loss on abandonment of assets | 26,602 | |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accounts receivables | 227,560 | (105,397) |
| Increase in due from stockholder | (19,468) | (2,440) |
| (Increase) decrease in employee advance | 5,897 | (4,841) |
| (Increase) decrease in prepaid expenses | (5,186) | 5,533 |
| (Increase) in deposits and other assets | (24,795) | (3,532) |
| Increase in accounts payable | 51,253 | 29,350 |
| Decrease in accrued payroll & related taxes | <u>(185)</u> | <u>(3,755)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ <u>58,179</u> | \$ <u>12,425</u> |

These financial statements should be read only in connection with the
accompanying notes to financial statements.

GREENBERG FINANCIAL GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

NOTE 1- ORGANIZATION AND NATURE OF OPERATIONS

Greenberg Financial Group, Inc. (the Company) incorporated under the laws of Arizona on July 1, 1998 under the name Greenberg Nehls and Company, Inc. The Company changed to its present name effective June 28, 2001. The Company also elected Subchapter S status for income tax purposes effective July 1, 1998. The Company originally operated as a limited liability company has been an investment advisory firm since its inception in 1995 and, during 1997, became a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD).

The Company, located in Tucson and Green Valley, Arizona, executes all of its brokerage transactions through a third party clearinghouse and does not have possession of any of their clients' investment accounts. Nearly all of the Company's business is transacted with residents of Southern Arizona.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred in accordance with generally accepted accounting principles.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE & INVESTMENT ADVISORY INCOME

The accounts receivable arise from investment advisory fees which are received quarterly but are recognized as earned, and a month's broker-dealer fees earned from the clearinghouse. The Company began charging its investment advisory fees on the first day of a quarter in advance effective January 1, 2002, rather than on the last day of the quarter in arrears. The result of this policy change is that the Company effectively waived its fourth quarter, 2001 fees resulting in lower income and receivables as of December 31, 2001. Management considers all receivables as fully collectible as each customer has agreed that the Company can withdraw the investment advisory fees from their brokerage accounts on a quarterly basis, therefore no allowance for doubtful accounts was considered necessary.

GREENBERG FINANCIAL GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

Currently the investments, consisting of stock of the NASD, are carried at cost, since there is not yet a public market in these shares.

PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment, consisting primarily of office equipment, furniture and leasehold improvements are stated at cost. An allowance for accumulated depreciation is provided with depreciation being computed using the 200% double declining balance method over the estimated useful lives of the assets, which are as follows:

| | |
|------------------------|------------|
| Office equipment | 5-7 years |
| Office furniture | 7-10 years |
| Leasehold improvements | 7-10 years |

The cost of assets sold, retired, or otherwise disposed of and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

COMMISSIONS

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

INCOME TAXES

No provision for income taxes has been included in the financial statements, as items of income or loss of the Company are required to be reported by the stockholders on their respective personal income tax returns.

ADVERTISING COSTS

Advertising expenses are expensed as incurred. Advertising and promotion expense was \$189,728 and \$190,249 during the years ended December 31, 2001 and 2000, respectively.

NOTE 3- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | <u>December 31, 2001</u> | <u>December 31, 2000</u> |
|-----------------------------------|--------------------------|--------------------------|
| Office equipment | \$89,646 | \$52,173 |
| Office furniture | 27,014 | 22,726 |
| Leasehold improvements | <u>105,100</u> | <u>48,511</u> |
| | 221,760 | 123,410 |
| Less accumulated depreciation | <u>48,740</u> | <u>48,783</u> |
| Net property and equipment | <u>\$173,020</u> | <u>\$74,627</u> |

GREENBERG FINANCIAL GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

NOTE 3- PROPERTY AND EQUIPMENT (Continued)

Depreciation expense was \$15,685 and \$15,187 for the years ended December 31, 2001 and 2000, respectively.

NOTE 4-NOTE RECEIVABLE

During 2000 the Company lent \$11,500 to a mortgage company located in the same office building. The note requires quarterly interest only payments of 8%. The note has no specified repayment date and is personally guaranteed by the owner of the mortgage company.

NOTE 5-LINE OF CREDIT

The Company has obtained approval for a \$100,000 line of credit from a bank through April 21, 2003. The line requires minimum monthly payments of interest at the bank's prime rate plus 1%, with a floor of 6% and a cap of 24%. The line of credit is unsecured.

NOTE 6- CAPITAL LEASE PAYABLE

During 2001 the Company entered into a capital lease agreement for a copier, fax machine, cabinetry and counters, built-in video and sound system, phone system, signage and filing cabinets. The lease requires monthly payments of \$2,654 through September 2004, including imputed interest of 16.7%. The total value of the items leased was \$83,045 and the Company recorded depreciation expense of \$3,060 relating to these assets for the year ended December 31, 2001.

The remaining minimum principle amounts due under this agreement are \$21,800 for 2002, \$25,732 for 2003, and \$22,301 for 2004.

NOTE 7- OPERATING LEASE COMMITMENTS

The Company leased eight computers and investment account and market quotation software. The lease required payments of \$4,000 monthly through December 2001. The Company is retaining the equipment on a month-to-month basis.

The Company 80% subsidizes the majority stockholder's personal auto lease and 100% subsidizes the personal auto lease of a key employee.

The Company commenced leasing a new Tucson office in September 2001 that currently requires base monthly payments of \$8,433 through August 31, 2002. On each September 1st for the next nine years, the base rent will increase \$192 per month.

GREENBERG FINANCIAL GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

NOTE 7- OPERATING LEASE COMMITMENTS (Continued)

Effective September 1, 2001 the Company entered into a 10-year sublease agreement with a tenant to occupy a portion of its space. The sublease requires monthly rental payments of \$1,912 through August 31, 2002, then \$2,125 through August 31, 2003, then \$2,338 through August 31, 2004, and then an additional \$53 per month on each September 1st thereafter until the lease term expires.

Effective September 1, 2001 the Company commenced leasing another portion of its new office to the Company's brother on a month-to-month basis currently requiring \$650 monthly payments. The Company leases another office in Green Valley, Arizona. The lease runs through December 21, 2002. The lease requires monthly base rental payments of \$1,528, plus property taxes and CAM charges.

Future minimum commitments under the two office leases, net of the sublease, are as follows:

| | |
|------------------------------|------------------|
| Year ended December 31, 2002 | \$96,504 |
| Year ended December 31, 2003 | 77,904 |
| Year ended December 31, 2004 | 78,268 |
| Year ended December 31, 2005 | 79,936 |
| Year ended December 31, 2006 | 81,604 |
| Thereafter | <u>402,241</u> |
| | <u>\$816,457</u> |

Total lease expense was \$146,374 and \$119,849 for the years ended December 31, 2001 and 2000, respectively.

NOTE 8-RELATED PARTY TRANSACTIONS

Each of the Company's eight stockholders executes their personal investment trades through the Company. During 2000, the Company entered into a \$60,000 consulting agreement with a former officer of the Company. The Company paid \$37,930 and \$22,070 under this agreement during the years ended December 31, 2001 and 2000, respectively.

The Company purchases its advertising media services from an agency owned by the majority stockholder's spouse. The amounts paid to this agency were \$80,650 and \$104,142 for the years ended December 31, 2001 and 2000, respectively.

The Company paid medical, life, disability, and dental insurance premiums totaling \$36,522 and \$29,569 for the years ended December 31, 2001 and 2000, respectively, to companies for which the majority stockholder's brother is the agent.

GREENBERG FINANCIAL GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

NOTE 9- STOCKHOLDERS' AGREEMENT

The Company has a stockholders' agreement which was ratified by the stockholders during 1999. Key provisions of the shareholders' agreement include:

- Stockholders must have disclosed to them in advance any proposed employment or independent contractor relationships with persons or companies related to any stockholder and the Company. If the required disclosures are not made, the Company may demand a refund of all monies paid to such related party.
- The Company is obligated to repay the original LLC capital contributions in the event of the death of a stockholder.
- If a stockholder desires to sell their stock in the Company, the Company has the first right to purchase the shares and the remaining stockholders all have second right.
- In the event of the death of a stockholder, the Company shall have first right to purchase the shares owned from the beneficiary(s) at a price of 125% of the then book value of the shares. The remaining stockholders shall each have second right at the same price.
- The Company shall pay for \$1 million of insurance on the life of the manager (the majority stockholder). The spouse must relinquish 30% of the stock owned to the Company. If the fair market value of the 30% stock as determined by appraisal exceeds \$1 million, the Company must pay the spouse the differential over a five-year period. A current employee shall have the first right to purchase this 30% interest at the amount paid to the spouse, if a full-time employee at the time of the manager's death, with terms to be not less than five years to pay and interest not less than prime plus 1%.
- In the event of the death of the majority stockholder-manager, the Company shall be obligated to continue paying 50% of his compensation at that time to the spouse until she reaches age 65. The Company will also be obligated to pay for all expenses associated with providing a college education to the manager's children through doctorate degrees.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

GREENBERG FINANCIAL GROUP, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
AS OF DECEMBER 31, 2001

Computation of Net Capital and Basic Net Capital Requirement:

| | |
|-----------------------------------------------------------------|------------------|
| Net equity per financial statements | \$ 239,678 |
| Deduct nonallowable assets: | |
| Employee advances | |
| Receivables from customers | (482) |
| Due from stockholder and non-customer | (64,610) |
| Non-indebted property and equipment, net | (104,869) |
| Nonmarketable securities | (20,100) |
| Deposits and other assets | <u>(17,492)</u> |
| Net capital | 32,125 |
| Minimum net capital required (6 2/3% of aggregate indebtedness) | <u>5,875</u> |
| | <u>\$ 26,250</u> |
| Excess net capital at 1000% | <u>\$ 23,311</u> |

Computation of Aggregate Indebtedness:

| | |
|-------------------------------------------------------------|------------------|
| Total aggregate indebtedness liabilities from Balance Sheet | <u>\$ 88,137</u> |
| Ratio: Aggregate indebtedness to net capital | <u>2.74</u> |

Scott R. Meyer, CPA, P.C.
1700 E. Ft. Lowell Road, Suite 107
Tucson, AZ 85719
(520) 881-3734 Fax 520-918-1041

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER
CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Board of Directors
Greenberg Financial Group, Inc.

In planning and performing my audit of the financial statements and supplemental schedules of Greenberg Financial Group, Inc.(the Company) for the year ended December 31, 2001, I considered its internal control structure, including procedures 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 the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures followed by the Companies that I considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Companies do 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 an internal control structure 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 internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure 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

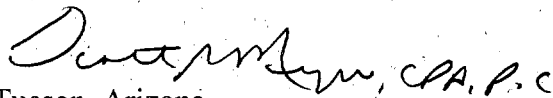
authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in 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 procedures may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 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 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 the internal control structure, including procedures 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. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended for the use of the stockholders, management, the SEC, NASD, 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 should not be used for any other purpose.



Tucson, Arizona

January 17, 2002