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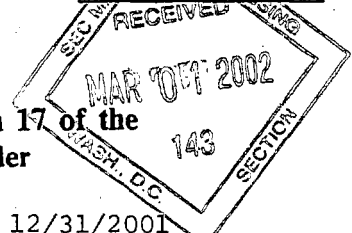
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

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

SEC FILE NUMBER  
8-51515



**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 01/01/2001 AND ENDING 12/31/2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: CARDINAL SECURITIES, LLC

OFFICIAL USE ONLY  
FIRM ID. NO.

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

555 NORTHPOINT CENTER, EAST STE 250

(No. and Street)

ALPHARETTA

GA

30022

(City)

(State)

(Zip Code)

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

DAVID COHERD

(678) 356-0035

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

RUBIO & COMPANY, PC

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

3490 PIEDMONT ROAD, STE 1212

ATLANTA

GA

30305

(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 P**

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).

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OATH OR AFFIRMATION

I, DAVID COHERD, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CARDINAL SECURITIES, LLC, as of DECEMBER 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
\_\_\_\_\_  
Signature  
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.
  - (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).

**CARDINAL SECURITIES, LLC  
FINANCIAL STATEMENT AND SCHEDULES**

**For the Year Ended  
December 31, 2001  
With Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

To the Members  
of Cardinal Securities, LLC

We have audited the accompanying statement of financial condition of Cardinal Securities, LLC as of December 31, 2001 and the accompanying statements of operations, cash flows and member's equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the 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, results of operations and cash flows of Cardinal Securities, LLC as of December 31, 2001 and 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 statement taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. 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 statement taken as a whole.



RUBIO & COMPANY, P.C.

February 25, 2002  
Atlanta, Georgia

**CARDINAL SECURITIES, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2001**

ASSETS

Cash and cash equivalents	\$ 17,198
Prepaid expenses	<u>350</u>
Total assets	<u>\$ 17,548</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Accounts payable	<u>\$ 1,903</u>
Total liabilities	<u>1,903</u>
Members' equity	<u>15,645</u>
Total liabilities and members' equity	<u>\$ 17,548</u>

The accompanying notes are an integral part of these financial statements.

**CARDINAL SECURITIES, LLC**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2001**

REVENUES

Investment banking	\$ 610,946
Interest income	<u>505</u>
Total revenue	<u>611,451</u>

EXPENSES:

Partner compensation	522,500
Regulatory fees	2,735
Management fees	108,216
Other operating expenses	<u>18,399</u>
Total expenses	<u>651,850</u>

NET INCOME (LOSS) \$ (40,399)

The accompanying notes are an integral part of these financial statements.

**CARDINAL SECURITIES, LLC**  
**STATEMENT OF MEMBER'S EQUITY**  
**For the Year Ended December 31, 2001**

	<u>Paid In Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Balance, January 1, 2001	\$ 34,966	\$ 21,078	\$ 56,044
Net Income (loss)	<u>                    </u>	<u>(40,399)</u>	<u>(40,399)</u>
Balance, December 31, 2001	<u>\$ 34,966</u>	<u>\$ (19,321)</u>	<u>\$ 15,645</u>

The accompanying notes are an integral part of these financial statements.

**CARDINAL SECURITIES, LLC**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2001**

	<u>2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net income (loss)	\$ <u>(40,399)</u>
Adjustments to reconcile net loss to net cash used by operating activities:	
Decrease in investments	6,128
Increase in prepaid expenses	(31)
Increase in accounts payable	<u>1,903</u>
Net cash provided by operating activities	7,997
<b>NET DECREASE IN CASH</b>	<b>(32,402)</b>
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year	<u>49,600</u>
End of year	<u>\$ 17,198</u>

The accompanying notes are an integral part of these financial statements.



**CARDINAL SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2001**

**NOTE 1--NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business: Cardinal Securities, LLC was organized as a Georgia Limited Liability Company in September 1998. The Company is an independent registered broker-dealer and a member of the National Association of Securities Dealers. The Company's business is to act as a broker in private placement transactions for public companies.

The Company is related to an entity (Cardinal Capital Management, Inc.) that provides the Company with office facilities and administrative services in exchange for discretionary management fees.

Income Taxes: The Company has elected to be a Limited Liability Company that is taxed as a Partnership under Internal Revenue Code regulations. Therefore, the income or losses of the Company flow through to and are taxable to its owners and no liability for income taxes is reflected in the accompanying balance sheet.

Estimates: The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates in determining assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Cash and Cash Equivalents: The Company maintains its bank accounts at a high credit quality bank. Balances, at times may exceed federally insured limits.

The Company considers deposits with maturities of ninety-days or less to be cash and cash equivalents.

**NOTE 2--NET CAPITAL REQUIREMENTS**

The Company 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 Company had net capital of \$15,295, which was \$10,295 more than its required net capital of \$5,000.

**NOTE 3—RELATED PARTY TRANSACTIONS**

The Company occupies office facilities provided by a related entity in exchange for discretionary management fees. In addition employee and other administrative costs are provided by the related entity at no cost to the Company.

**CARDINAL SECURITIES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2001**

**NOTE 3—RELATED PARTY TRANSACTIONS (CONTINUED)**

Financial position and results of operations would differ from the amounts in the accompanying financial statements if these transactions with the related entity did not exist.

**CARDINAL SECURITIES, LLC**

**Supplementary Information  
Pursuant to Rule 17(a)-5 of the  
Securities Exchange Act of 1934**

**December 31, 2001**

The accompanying schedule is prepared in accordance with the requirements and general format of FOCUS Form X-17 A-5.

**CARDINAL SECURITIES, LLC**

**SCHEDULE I  
COMPUTATION OF NET CAPITAL UNDER  
RULE 15c3-1 OF THE SECURITIES  
AND EXCHANGE COMMISSION  
ACT OF 1934**

**December 31, 2001**

Net Capital	
Total members' equity qualified for net capital	\$ 15,645
Deduction for non-allowable assets:	
Prepaid expenses	<u>(350)</u>
Net capital before haircuts	15,295
Less haircuts	<u>-</u>
Net capital	15,295
Minimum net capital required	<u>5,000</u>
Excess capital	<u>\$ 10,295</u>
Aggregate Indebtedness:	
Liabilities	<u>\$ 1,903</u>
Ratio of aggregate indebtedness to net capital	<u>18.5%</u>

RECONCILIATION WITH COMPANY'S COMPUTATION OF NET CAPITAL INCLUDED  
IN PART IIA OF FORM X-17A-5 AS OF DECEMBER 31, 2001

There was no significant difference between net capital as reported in FOCUS, Part IIA, and the accompanying financial statements.

**CARDINAL SECURITIES, LLC**

**SCHEDULE II  
COMPUTATION FOR DETERMINATION OF THE RESERVE REQUIREMENTS  
UNDER THE SECURITIES AND EXCHANGE COMMISSION RULE 15c3-3  
AND INFORMATION RELATING TO THE POSSESSION OR CONTROL  
REQUIREMENTS UNDER SECURITIES AND EXCHANGE COMMISSION RULE 15c3-3  
DECEMBER 31, 2001**

The Company is not required to file the above schedules as it is exempt from Securities and Exchange Commission Rule 15c3-3 under paragraph K(1) of the rule and does not hold customers' monies or securities.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL  
REQUIRED BY RULE 17a-5**

To the Members of  
Cardinal Securities, LLC:

In planning and performing our audit of the financial statements of Cardinal Securities, LLC for the year ended December 31, 2001, we considered its internal control structure, 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 test of compliance with such practices and procedures) followed by Cardinal Securities, LLC that we considered relevant to the objective stated in Rule 17a-5(g). We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedure for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company related to the following: (1) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (2) 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; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

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 and procedures can be expected to achieve the Commission'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 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 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, we noted no matters involving the internal control structure, which we consider to be material weaknesses as defined above.

However, we noted that due to the size of the Company, duties surrounding cash receipts and disbursements have not been segregated to achieve segregation of duties over these functions. These conditions were considered in determining the nature, timing and extent of procedures performed in our audit of the financial statements for the period ended December 31, 2001 and this report does not effect our report thereon dated February 15, 2002.

In addition, no facts came to our attention indicating that the exemptive provision of Rule 15c3-3 had not been complied with during the year.

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 Security Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

February 25, 2002  
Atlanta, Georgia

  
RUBIO & COMPANY, P.C.