

BB



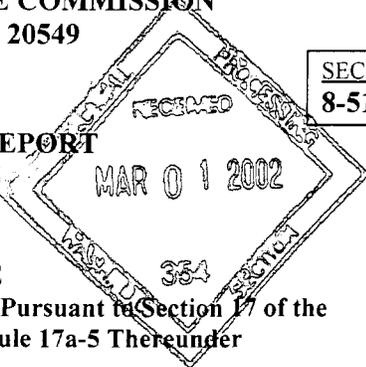
W
3/7

OMB APPROVAL
OMB number 3235-0123
Expires September 30, 1998
Estimated average burden
Hours per response.....12

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

SEC FILE NUMBER
8-51154

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 Jan. 01. 01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER

PACIFIC ONLINE TRADING & SECURITIES, INC.

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

2011 Park Royal Drive

San Jose California 95125-4649
(City) (State) (zip code)

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

Timothy McAdams (Area Code—Telephone No.) 408-297-8000

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Robert Cooper & Company CPA's, P.C.
(Name—if individual state Last, First, Middle name)

4460 Franklin Avenue, Western Springs, Illinois 60558
(ADDRESS) Number and Street City State 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

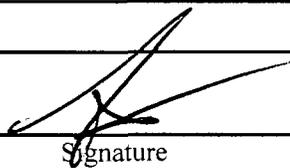
Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant
Must be supported by a statement of facts and circumstances relied on as the basis for the exemption.
See Section 244.17a-5(e)(2)

SEC 1410.1-781

80
3-15-02

OATH OR AFFIRMATION

I, Timothy McAdams, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Pacific On-Line Trading and 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:

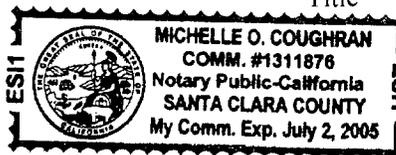


Signature

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 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 of 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).*

PACIFIC ONLINE TRADING & SECURITIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2001

Pacific Online Trading & Securities, Inc.

Annual Report

For the Year Ended December 31, 2001

Table of Contents

Independent Auditor's Report 1

Financial Statements

Statement of Financial Condition 2

Statement of Income 3

Statement of Changes in Stockholder's Equity 4

Statement of Cash Flows 5

Notes to Financial Statements 6-7

Supplementary Information

Computation of Net Capital 8-9

Independent Auditors' Report on Internal Control Structure 10-11

Oath of Affirmation 11

REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

**To the Board of Directors:
Pacific Online Trading & Securities, Inc.**

We have audited the accompanying statement of financial condition of Pacific Online Trading & Securities, Inc. as of December 31, 2001, and the related statements of income, changes in stockholders Equity, and cash flows for the period ending December 31, 2001. These financial statements are the responsibility of 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 Pacific Online Trading & Securities, Inc. as of December 31, 2001, and the results of their operations and their 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 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 statements taken as a whole.


Robert Cooper & Company CPAs PC

February 26, 2002

Pacific Online Trading & Securities, Inc.
Statement of Financial Condition
December 31, 2001

ASSETS

Cash	\$	2,195
Due from broker		21,315
Intercompany receivable		3,200
Other receivables		23,000
Fixed assets net of depreciation		119,791
Pension deposit receivable		23,053
Other asset		40
		<hr/>
	\$	<u>192,594</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities		
Accounts payable	\$	0
		<hr/>
		0
Stockholders Equity		
Common Stock - no par value		
10,000 shares authorized 1,000		
issued and outstanding		2,500
Paid in Capital		125,077
Retained earnings		65,017
		<hr/>
		192,594
	\$	<u>192,594</u>

The accompanying notes should be read in
conjunction with the financial statements

Pacific Online Trading & Securities, Inc.
Statement of Income
For the Year Ended December 31, 2001

REVENUES	
Commissions	\$ 269,415
Interest and Dividends	605
	<u>5,865</u>
Total Revenues	<u>275,885</u>
EXPENSES	
Order flow, execution costs	96,479
Professional fees	80,006
Depreciation	8,401
Interest	8,460
Employee costs	52,313
Other operating expenses	91,870
Total Expenses	<u>337,529</u>
Net income before provision of taxes	<u>(61,644)</u>
Provision for income taxes net of tax benefit	0
Net income after taxes	\$ (61,644)

The accompanying notes should be read in
conjunction with the financial statements

Pacific Online Trading & Securities, Inc.
Statement of changes of Owner's Equity
For the Year Ended December 31, 2001

	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
Balances				
January 1, 2001	\$2,500	\$114,500	\$126,661	\$243,661
Distributions			0	0
Contributions		10,577		\$10,577
Net Income for year			(61,644)	(61,644)
	_____	_____	_____	_____
December 31, 2001	<u>\$2,500</u>	<u>\$125,077</u>	<u>\$65,017</u>	<u>\$192,594</u>

The accompanying notes should be read in
conjunction with the financial statements

Pacific Online Trading & Securities, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2001

Cash flows from activities:

Net Income	\$	(61,644)
Items not effecting cash flow (depreciation))		8,401
Sale of assets		(4,950)
Adjustments to reconcile net Income to net cash flows used in activities:		
Changes in		
Decrease in due from broker receivable		45,930
Increase in intercompany receivables		34,383
Increase in liabilities		(8,650)
Change in deferred taxes		(23,053)
Net cash provided by activities		<u>(9,583)</u>
Cash from investing activities		
Nothing to report		0
Net cash from investing activities		<u>0</u>
Cash from financing activities		
Dividends paid		0
Contribution of Capital		<u>10,577</u>
Net cash provided from financing activities		10,577
Increase in cash		994
Cash, beginning of year		<u>1,200</u>
Cash, end of year	\$	<u><u>2,194</u></u>
Interest expense paid during the year		<u><u>8,460</u></u>

The accompanying notes should be read in
conjunction with the financial statements

PACIFIC ONLINE TRADING & SECURITIES, INC
(A California Corporation)
Notes to Financial Statements
December 31, 2001

1. COMPANY ORGANIZATION

Pacific Online Trading & Securities, Inc., formerly Pacific Day Trading, Inc., ("The Company"), a California corporation, was incorporated on July 1, 1997. The Company was approved as a National Association of Securities Dealers (NASD) member on January 7, 1999. The Company is registered as a broker-dealer with the Securities and Exchange Commission and is a member of the NASD. The Company was formed for the primary purpose of executing securities transactions for others on a commission basis. The company does not transact in trading for their own account nor do they hold customer funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables from brokers and dealers

Receivables from brokers and dealers represent primarily cash held on deposit.

Furniture and Equipment

Furniture and Fixtures are carried at cost. Depreciation is provided using straight-line method over the estimated useful life.

Leasehold Improvement

During the year the Company made major improvements to their office space. The costs are capitalized and depreciated over their estimated useful life.

3. INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109. The accounting for taxes under SFAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of the Company. The Company files their federal and state income taxes on a cash basis.

4. DUE FROM BROKER

Due from broker balance relates to cash commission balances due to trading errors that were place in The Company's account.

PACIFIC ONLINE TRADING & SECURITIES, INC
(A California Corporation)
Notes to Financial Statements
December 31, 2001

5. NET CAPITAL REQUIREMENTS

As a registered NASD broker-dealer, The Company is subject to the net capital requirements of the Securities and Exchange Commission's "Uniform Net Capital Rule" (Rule 15c3-1). The Company is required to maintain minimum net capital, as defined, equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness. At December 31, 2001, net capital was \$42,024 in excess of the required minimum net capital.

6. RELATED PARTY TRANSACTIONS

Certain administrative and organizational activities were performed by a related party at pursuant to a management agreement with the Company.

7. SUBSEQUENT EVENTS

The audited FOCUS for the year ending 2000 was amended to reflect certain tax adjustments that were made to tax year 2000. This report includes those adjustments. Those adjustments did not materially effect net capital for the year ending 2000 nor for the year ending 2001.

SCHEDULE I

Pacific Online Trading & Securities, Inc.
 Computation of Net capital Under 15C 3-1
 of the Securities and Exchange Commission
 December 31, 2001

Total stockholder's equity	\$ 192,594
Allowable Subordinated debt securities	0
Unallowable assets	(146,031)
Haircut's required	461
Net Capital	<u>47,024</u>
Minimum net capital requirement	5,000
Excess Net capital	<u>\$ 42,024</u>
Excess net capital at 1000%	<u>\$ 47,024</u>

Note: The above information on this schedule is in agreement, in all material respects, with the unaudited FOCUS Report, Part II, filed by Pacific Online Trading & Securities, Inc. as of December 31, 2001.

The accompanying notes should be read in
 conjunction with the financial statements

SCHEDULE I

Pacific Online Trading & Securities, Inc.
Computation of Net capital Under 15C 3-1 (continued)
of the Securities and Exchange Commission
December 31, 2001

COMPUTATION OF AGGREGATE INDEBTEDNESS

Aggregate Indebtedness

Items included in the balance sheet:

Accrued payables	\$	0
	\$	<u>0</u>

Ratio: Aggregate Indebtedness
to Net Capital

0.0000%
to 1

The accompanying notes should be read in
conjunction with the financial statements

Pacific Online Trading & Securities, Inc.
Reconciliation between Audited and unaudited Financials
December 31, 2001

Assets	
Increase in intercompany and related party receivables	\$ 4,231.00
Decrease in deferred taxes receivable	(13,366.00)
Decrease in cash	(828.00)
Decrease in accumulated depreciation	(8,431.00)
	<u>(18,394.00)</u>
Liabilities and stockholders equity	
decrease in payables	(2,500.00)
increase in additional paid-in-capital	(63,300.00)
change in retained earnings	47,406.00
	<u>(18,394.00)</u>

The difference between the audited and unaudited financial statements was primarily due to the related party adjustments for federal income taxes to the audited financial statements for the previous year. Amended audited reports and FOCUSES reports are being filed. Capital was not effected for the years 2000 nor for 2001.

The accompanying notes should be read in
conjunction with the financial statements

**PACIFIC ONLINE TRADING & SECURITIES, INC.
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
AND INFORMATION RELATING TO POSSESSION AND CONTROL
REQUIREMENTS PURSUANT TO RULE 15c3-3**

December 31, 2001

**RESERVE COMPUTATION
(See note below)**

**INFORMATION FOR POSSESSION AND CONTROL REQUIREMENTS
(See note below)**

Note: Although PACIFIC ONLINE TRADING & SECURITIES, INC. is not exempt from Rule 15c3-3, it does not transact a business in securities with, or for, other than members of a national securities exchange and does not carry margin amounts, credit balances or securities for any person defined as a "customer" pursuant to Rule 17a-5(c)(4). Accordingly, there are no amounts reportable under these sections.

Robert Cooper & Company CPAs P.C.

4460 Franklin Avenue
Western Springs, Illinois 60558
312-952-2151
Fax: 708-246-7937

**Independent Auditor's Report on Internal Control Structure Required
by SEC Rule 17a-5**

**To the Board of Directors:
Pacific Online Trading & Securities, Inc.**

In planning and performing our audit of the financial statements of **Pacific Online Trading & Securities, 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 consolidated 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 practices and procedures) followed by **Pacific Online Trading & Securities, Inc.** that we considered relevant to the objectives stated in rule 17a-5(g), (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by 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) in making the quarterly securities examinations, counts, verifications and comparisons, and (2) recordation of differences required by rule 17a-13; (3) 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.

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 the owner 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 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, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

The Company, because of its size and limited personnel, is unable to maintain an adequate separation of the various accounting functions. However, the managers of the Company informed me that they exercise close oversight of accounting records daily, thus offsetting the lack of separation of duties. The study and evaluation disclosed no condition that we believed to be a material weakness.

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 Commission 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 Exchange Act of 1934 and should not be used for any other purpose.

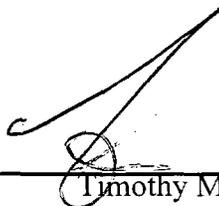
Sincerely,



Robert Cooper & Company CPAs P.C.
February 25, 2002

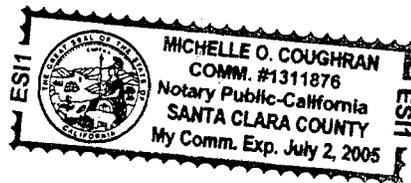
OATH OR AFFIRMATION
REGARDING ACCURACY AND COMPLETENESS
OF FINANCIAL STATEMENTS AS OF FOR
THE YEAR ENDING DECEMBER 31, 2001.

To the best of my knowledge and belief, the information contained herein is accurate and complete.



Timothy McAdams
Corporate Officer

Michelle O. Coughran, Notary Public



JURAT

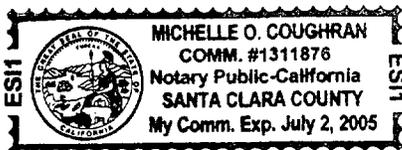
State of CA
County of Santa Clara } ss.

Subscribed and sworn to (or affirmed) before me

this 28 day of February, 2002, by
Date Month Year

(1) Timothy Alan McAdams
Name of Signer(s)

(2) _____
Name of Signer(s)



Michelle O Coughran
Signature of Notary Public

OPTIONAL

Though the information in this section is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Annual Audit Report

Document Date: Dec. 31, 2001 Number of Pages: 14

Signer(s) Other Than Named Above: _____

RIGHT THUMBPRINT OF SIGNER #1
Top of thumb here

RIGHT THUMBPRINT OF SIGNER #2
Top of thumb here