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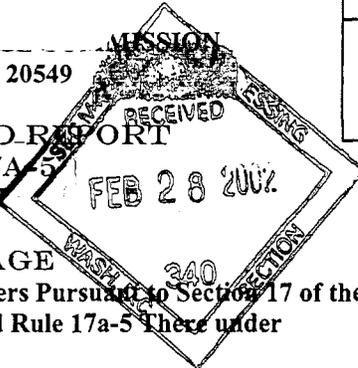


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SECURITY  
Washington, D.C. 20549

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



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

SEC FILE NUMBER  
8 - 46379

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 There under

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: Baldwin & Clarke Capital Markets, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

116 B South River Road  
(No. and Street)

Bedford  
(City)

New Hampshire  
(State)

03110  
(Zip Code)

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

William Conrad

(603) 668 - 4353

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

McCafferty and Company, P.C.

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

71 Spit Brook Road  
(Address)

Nashua  
(City)

New Hampshire  
(State)

03060  
(Zip Code)

CHECK ONE:

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

PROCESSED

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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).

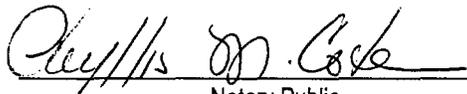
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OATH OR AFFIRMATION

I, John J. Clarke, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Baldwin & Clarke Capital Markets, 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 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).

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

TABLE OF CONTENTS

	<u>PAGE</u>
AUDITORS REPORT ON FINANCIAL STATEMENTS .....	1
STATEMENT OF FINANCIAL CONDITION .....	2
STATEMENT OF INCOME .....	3
STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY .....	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS.....	6
SUPPLEMENTAL INFORMATION	
COMPUTATION OF AGGREGATE INDEBTEDNESS .....	8
INFORMATION RELATING TO POSSESSION OR CONTROL.....	9
SCHEDULE OF SEGREGATION REQUIREMENTS.....	10
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS.....	11
AUDITOR'S REPORT ON INTERNAL CONTROL .....	12-13



*McCafferty & Company, P.C.*  
*Certified Public Accountants*

### **Independent Auditor's Report**

To the Board of Directors  
Baldwin & Clarke Capital Markets, Inc.  
Bedford, NH 03110

We have audited the accompanying statement of financial condition of Baldwin & Clarke Capital Markets, Inc. as of December 31, 2001 and 2000 and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that the Company is 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 my opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baldwin & Clarke Capital Markets, Inc. as of December 31, 2001 and 2000, and the results of the operations and the 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, II, III and IV, 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.

McCafferty and Company, P.C.  
Certified Public Accountants  
February 4, 2002

*Members*

*American Institute Of  
Certified Public Accountants*

*Massachusetts Society Of  
Certified Public Accountants*

*New Hampshire Society Of  
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**BALDWIN & CLARKE CAPITAL MARKETS, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2000 AND 1999**

**ASSETS**

	<u><b>2001</b></u>	<u><b>2000</b></u>
Cash	\$ 13,066	\$ 13,432
Accounts Receivable	-	10,000
Total Assets	<u>\$ 13,066</u>	<u>\$ 23,432</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Accrued Expenses	<u>\$ -</u>	<u>\$ 2,501</u>
Stockholders' Equity:		
Common Stock (\$1.00 par value, 10 shares authorized, issued and outstanding)	\$ 10	\$ 10
Additional Paid-in Capital	38,531	38,531
Accumulated Deficit	(25,475)	(17,610)
Total Stockholders' Equity	<u>13,066</u>	<u>20,931</u>
Total Liabilities and Stockholders' Equity	<u>\$ 13,066</u>	<u>\$ 23,432</u>

See Auditors Report and Notes to Financial Statements Which Are An Integral Part Of These Financial Statements.

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**  
**STATEMENT OF INCOME**  
**DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b>Revenues:</b>		
Commissions	\$ 1,666,673	\$ 747,932
Interest and Dividends	<u>-</u>	<u>270</u>
Total Revenues	<u>1,666,673</u>	<u>748,202</u>
 <b>Expenses:</b>		
Management Fees	1,671,147	722,865
Regulatory Fees	3,391	7,983
Professional Fees	-	2,450
Miscellaneous Expenses	<u>-</u>	<u>2,395</u>
Total Expenses	<u>1,674,538</u>	<u>735,693</u>
Net Income / (Loss) Before Taxes	(7,865)	12,509
Provision for State Tax	<u>-</u>	<u>1,001</u>
Net Income / (Loss)	<u>\$ (7,865)</u>	<u>\$ 11,508</u>

See Auditors Report and Notes to Financial Statements Which Are An Integral Part Of These Financial Statements.

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2000**

	<u>Common Stock</u>	<u>Add'l Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance January 1, 2000	\$10	\$38,531	\$(29,118)	\$9,423
Contributions to Capital	-	-	-	-
Net Income (Loss) December 1, 2000	<u>-</u>	<u>-</u>	<u>11,508</u>	<u>11,508</u>
Balance January 1, 2001	10	38,531	(17,610)	20,931
Net Income December 31, 2001	<u>-</u>	<u>-</u>	<u>(7,865)</u>	<u>(7,865)</u>
Balance December 31, 2001	<u>\$10</u>	<u>\$38,531</u>	<u>\$(25,475)</u>	<u>\$13,066</u>

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (7,865)	\$ 11,508
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
(Increase) / Decrease in Accounts Receivable	10,000	(10,000)
(Increase) / Decrease in Prepaid Expenses	-	798
Increase / (Decrease) in Accrued Expenses	<u>(2,501)</u>	<u>1,301</u>
Net Increase in Cash Provided by Operating Activities	(366)	3,607
Cash Balance - January 1	<u>13,432</u>	<u>9,825</u>
Cash Balance - December 31	<u><u>\$ 13,066</u></u>	<u><u>\$ 13,432</u></u>
Supplimental Disclosure of Cash Flow Information		
Cash Paid During the Year for:		
Taxes	0	0
Interest	0	0

For purposes of statement of cash flows; the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2000**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

The Company was incorporated in New Hampshire on June 30, 1993 to do business as a registered broker-dealer under the Securities and Exchange Act of 1934. The Company acts principally as a representative of business clients in the private placements of their securities arising from mergers, acquisitions, divestitures, recapitalizations, debts, mezzanine and equity financing.

Income Taxes

The Company is an S Corporation for federal income tax purposes. Consequently, income or loss flows directly to the shareholders, and income taxes are determined at the shareholder level.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amount of assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – NET CAPITAL**

As a broker-dealer, the Company is subject to the Securities and Exchange Commission's regulations and operating guidelines which require the Company to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness to net capital, as defined, not exceeding 15 to 1. The Company's net capital as computed under Rule 15c3-I, were \$13,066 and \$10,931 at December 31, 2001 and 2000, respectively which exceeded required net capital of \$5,000 by \$8,066 and \$5,931. The ratio of aggregate indebtedness to net capital at December 31, 2001 and 2000 was 0%.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

A related entity Baldwin & Clarke Corporate Finance, Inc. (BCCF) pays all expenses of this Company except some direct costs. BCCF is responsible for expenses such as rent and other overhead costs associated with the operation of the Company. Management fees of \$1,671,147 and \$722,865 were paid in 2001 and 2000, respectively to BCCF.

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**

**SUPPLEMENTARY SCHEDULES**

**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

**SCHEDULE I**

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**

**COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL  
PURSUANT TO RULE 15c3-1**

**DECEMBER 31, 2001 AND 2000**

AGGREGATE INDEBTEDNESS:	<u>2001</u>	<u>2000</u>
Total Aggregate Indebtedness	0	0
 NET CAPITAL		
Common Stock	\$ 10	\$ 10
Additional Paid-in capital	38,531	38,531
Retained earnings / Deficit	<u>(25,475)</u>	<u>(17,610)</u>
Total stockholders' equity qualified for net capital	13,066	20,931
 DEDUCTIONS AND/OR CHARGES		
Non-Allowable assets:		
Accounts Receivable	<u>0</u>	<u>10,000</u>
Net capital, as defined	\$ <u>13,066</u>	\$ <u>10,931</u>
CAPITAL REQUIREMENTS	\$ <u>5,000</u>	\$ <u>5,000</u>
NET CAPITAL IN EXCESS OF REQUIREMENT	\$ <u>8,066</u>	\$ <u>5,931</u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	0 %	0 %

**RECONCILIATION BETWEEN AUDITED AND UNAUDITED COMPUTATION OF NET CAPITAL:**

There was no difference in net capital as reported by the company in the company's part IIA (unaudited), focus report at December 31, 2001. At December 31, 2000 a net difference of \$2,501 existed as a result of auditors' adjustments for accrued professional fees and taxes.

**SCHEDULE II**

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**

**INFORMATION RELATING TO POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3**

**DECEMBER 31, 2001 AND 2000**

The Company had no items reportable as customers' fully paid securities: (1) not in the Company's possession or control as of the audit date (for which instructions to reduce to possession or control had been issued as of the audit date) but for which the required action was not taken by the Company within the time frames specified under Rule 15cc3-3 or (2) for which instructions to reduce to possession or control had not been issued as of the audit date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

**SCHEDULE III**

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**

**SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS  
IN SEGRAGATION FOR CUSTOMERS' REGULATED  
COMMODITY FUTURES AND OPTION ACCOUNTS**

**DECEMBER 31, 2001 AND 2000**

The Company claims exemption from the segregation requirements of the Commodities Futures Act since it has no commodity customers as the term is defined in Regulation 1.3(k).

**SCHEDULE IV**

**BALDWIN & CLARKE CAPITAL MARKETS, INC.**

**COMPUTATION FOR DETERMINATION OF  
RESERVE REQUIREMENTS FOR BROKER-DEALER UNDER  
RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1944**

**DECEMBER 31, 2001 AND 2000**

The Company is exempt from the reserve requirements of Rule 15c3-3, as its transactions are limited such that they do not handle customer funds or securities. Accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirements pursuant to rule 15c3-3 are not applicable.



*McCafferty & Company, P.C.*

*Certified Public Accountants*

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

Board of Directors  
Baldwin & Clarke Capital Markets, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Baldwin & Clarke Capital Markets, Inc., for the year ended December 31, 2001 and 2000, we considered its internal control structure, 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 structure.

Also, as required by Rule 17a-5(g)(1) of the Securities 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 and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because Baldwin & Clarke Capital Market, Inc. does not carry securities accounts for customers or perform custodial functions relating the 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.

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 judgements 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) list additional objectives of the practices and procedures listed in the preceding paragraphs.

*Members*

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Because of inherent limitations in internal control or the practices and procedures referred to above, errors 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 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 weakness 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 the Company's practices and procedures were adequate at December 31, 2001 and 2000, to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, The National Association of Securities Dealers, Inc. 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 should not be used for any other purpose.

McCafferty and Company, P.C.  
Certified Public Accountants

February 4, 2002

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