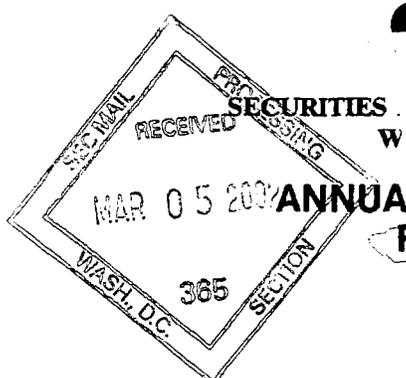


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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**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 January 01, 2001 AND ENDING December 31, 2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Ameriprop, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

105 Maxess Road - Suite N111

(No. and Street)

Melville, NY 11747

(City)

(State)

(Zip Code)

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

Steven D. Klein

631-249-9490

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Warren M. Schneider - Certified Public Accountant

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

535 Fifth Avenue - 21st Floor, New York, NY 10017

(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 11 2002

THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

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

OATH OR AFFIRMATION

I, Steven D. Klein, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Ameriprop, Inc., as of December 31, 19 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:

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

*Steven D. Klein*

Signature

President

Title

*Mark D. Weber*

Notary Public

MARK D. WEBER  
Notary Public, State of New York  
No. 01WE5067984  
Qualified in Suffolk County  
Commission Expires 10/28/02

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).

**AMERIPROP, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

**WARREN M. SCHNEIDER**  
CERTIFIED PUBLIC ACCOUNTANT

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**WARREN M. SCHNEIDER**

CERTIFIED PUBLIC ACCOUNTANT

—  
(201) 538-4008

10 WINDSOR WAY  
MORRISTOWN, NEW JERSEY 07960

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of  
Ameriprop, Inc.:

We have audited the accompanying statement of financial condition of Ameriprop, Inc. as of December 31, 2001 and the related statements of operations, changes in shareholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ameriprop, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

  
WARREN M. SCHNEIDER  
Certified Public Accountant

New York, New York  
January 24, 2002

**AMERIPROP, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2001**

ASSETS

Cash	\$ 99,254
Commissions receivable (Note 6)	235,017
Investment in securities	26,252
Property and equipment, net of accumulated depreciation of \$ 9,188 (Notes 1 and 2)	7,251
Security deposit	<u>9,684</u>
Total assets	<u>\$ 377,458</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 19,385
Commissions payable (Note 4)	<u>296,687</u>
Total liabilities	<u>316,072</u>

COMMITMENTS AND CONTINGENCIES (Notes 3, 5,  
6 and 8)

SHAREHOLDER'S EQUITY

Common stock, 200 no par value shares authorized, issued and outstanding	200
Additional paid in capital	40,000
Retained earnings	<u>21,1865</u>
Total shareholder's equity	<u>61,386</u>
Total liabilities and shareholder's equity	<u>\$ 377,458</u>

The accompanying Notes to the Financial Statements  
are an integral part of this report.

**AMERIPROP, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

REVENUE	
Commissions (Note 6)	\$ 1,875,234
Loss on securities	(12,312)
Compliance meeting income	<u>51,416</u>
Total revenue	<u>1,914,338</u>
EXPENSES	
Commissions (Note 4)	1,566,444
Regulatory	12,683
Professional	54,757
Rent (Note 3)	60,557
Depreciation	2,640
Travel and entertainment	43,982
Legal settlement (Note 8)	17,000
Other operating expenses (Notes 1 and 4)	<u>156,073</u>
Total expenses	<u>1,914,136</u>
Net income (Note 1)	<u>\$ 202</u>

The accompanying Notes to the Financial Statements  
are an integral part of this report.

**AMERIPROP, INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balances, January 1, 2001	200	\$ 200	\$ 40,000	\$ 20,984	\$ 61,184
Plus: Net income for the year				202	202
Balances, December 31, 2001	<u>200</u>	<u>\$ 200</u>	<u>\$ 40,000</u>	<u>\$ 21,186</u>	<u>\$ 61,386</u>

The accompanying Notes to the Financial Statements  
are an integral part of this report.

**AMERIPROP, INC.**  
**STATEMENT OF CHANGES IN LIABILITIES**  
**SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

None

The accompanying Notes to the Financial Statements  
are an integral part of this report.

**AMERIPROP, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

**CASH FLOWS PROVIDED BY OPERATING ACTIVITIES**

Net income	\$ 202
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	2,640
Unrealized gain on securities	(2,688)
Loss on investment	15,000
Changes in:	
Commissions receivable	(217,678)
Accrued expenses	13,663
Commissions payable	261,462
Security deposit	<u>(3,317)</u>
Net cash provided by operations	<u>69,284</u>

**CASH FLOWS USED BY INVESTING ACTIVITIES**

Purchase of equipment	<u>(2,165)</u>
Net cash used by investing activities	<u>(2,165)</u>

**CASH FLOWS PROVIDED BY FINANCING ACTIVITIES**

-0-

NET CASH INCREASE	67,119
CASH – beginning of year	<u>32,135</u>
CASH – end of year	<u>\$ 99,254</u>

The accompanying Notes to the Financial Statements  
are an integral part of this report.

**AMERIPROP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

Ameriprop, Inc. (the "Company") conducts business as a broker/dealer in syndicated limited partnerships and securities with registered representatives throughout the United States.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Use of estimates - 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.
- b. Property and equipment - Property and equipment are carried at cost. Depreciation is provided using the straight-line method over periods of five and seven years.
- c. Income taxes - The Company has filed elections pursuant to Subchapter S of the Internal Revenue Code and corresponding state statutes, and, accordingly, any Federal and most state income taxes due or tax benefits derived are the responsibility of the shareholders.
- d. Statement of cash flows - For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2001:

Furniture and equipment	\$ 16,439
Less: Accumulated depreciation	<u>(9,188)</u>
Net	<u><u>\$ 7,251</u></u>

3. LEASE COMMITMENTS

The Company and an unaffiliated third party, lease office space under an operating lease expiring on May 31, 2011. Pursuant to the terms of the lease, the Company is also required to pay a fixed amount for utilities. Rent expense for office leases in 2001 was \$ 60,557. Future minimum rental and utility payments under this lease are as follows:

Year ending - December 31, 2002	\$ 69,398
- December 31, 2003	72,174
- December 31, 2004	75,061
- December 31, 2005	78,064
- December 31, 2006	81,186
Thereafter	398,763

Additionally, the Company's shareholder has personally guaranteed this lease.

4. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2001, commission expense and payroll expense to the Company's shareholder amounted to \$ 194,144 and \$ 33,077, respectively. At December 31, 2001, the Company owed commissions of \$ 38,500 to its shareholder.

5. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission uniform net capital rule (15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2001, the Company had net capital and net capital requirements of \$ 38,751 and \$ 19,779 respectively. The ratio of aggregate indebtedness to net capital was 7.66 to 1.

6. LIQUIDITY AND ECONOMIC DEPENDENCE

The Company is dependent on its ability to maintain sufficient levels of liquidity to fund its operations and operate as a going concern. The sole stockholder, has represented he has the financial ability and will fund the Company's operations as necessary to operate as a going concern for at least one year from the date of the accountants' report.

Substantially, all of the Company's commission income is derived from two major customers. Accounts receivable from these major customers was \$ 226,000 at December 31, 2001.

7. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for income taxes was \$ 540.

8. CONTINGENCIES

The Company is involved in various claims and lawsuits in the ordinary course of business including matters involving allegations of unsuitability with respect to investments, breach of fiduciary duty and failure to supervise the registered representative's activities on the part of the broker/dealers involved.

One matter has been resolved subsequent to December 31, 2001 by the Company agreeing to a \$17,000 settlement. Such amount has been accrued on the financial statements for the year ended December 31, 2001.

The two remaining matters seek aggregate damages of \$2,490,000. Although a specific evaluation of the outcome and/or potential liability of the Company is not possible, in the opinion of management, these items, individually and in the aggregate, will not have a material effect on the financial statements of the Company.

**WARREN M. SCHNEIDER**

CERTIFIED PUBLIC ACCOUNTANT

—  
(201) 538-4008

10 WINDSOR WAY  
MORRISTOWN, NEW JERSEY 07960

**INDEPENDENT AUDITOR'S REPORT**  
**ON THE SUPPLEMENTARY INFORMATION**

To the Shareholder of  
Ameriprop, Inc.:

We have audited the accompanying financial statements of Ameriprop, Inc. as of and for the year ended December 31, 2001, and have issued our report thereon dated January 24, 2002. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Schedules 1 through 5 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.



WARREN M. SCHNEIDER  
Certified Public Accountant

New York, New York  
January 24, 2002

**AMERIPROP, INC.**  
**COMPUTATION OF AGGREGATE INDEBTEDNESS**  
**AND NET CAPITAL UNDER RULE 15c3-1**

**DECEMBER 31, 2001**

**AGGREGATE INDEBTEDNESS**

Payables

Commissions payable \$ 296,687

Total aggregate indebtedness \$ 296,687

Minimum dollar requirement \$ 5,000

Minimum required net capital \$ 19,779

**NET CAPITAL**

Shareholder's equity \$ 61,386

Deductions:

Non-allowable assets

Other securities (3,300)

Security deposit (9,684)

Property and equipment – net (7,251)

Haircuts on other securities (2,400)

Net capital 38,751

Less: Minimum required net capital (19,779)

Capital in excess of minimum requirement \$ 18,972

**RATIO OF AGGREGATE INDEBTEDNESS TO NET  
CAPITAL**

7.66 to 1

**AMERIPROP, INC.**

**RECONCILIATION OF THE COMPUTATION OF  
AGGREGATE INDEBTEDNESS AND NET CAPITAL  
WITH THAT OF THE REGISTRANT  
AS FILED IN PART IIA OF FORM X-17A-5**

**DECEMBER 31, 2001**

There are no material differences from the computation of aggregate indebtedness and net capital as per Schedule 1 and that included in the Company's Part IIA (unaudited) FOCUS report.

**AMERIPROP, INC.**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
PURSUANT TO RULE 15c3-3**

**DECEMBER 31, 2001**

Not applicable.

**AMERIPROP, INC.**

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

**DECEMBER 31, 2001**

Not applicable.

**AMERIPROP, INC.**

**RECONCILIATION 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**

**DECEMBER 31, 2001**

Not applicable.

**WARREN M. SCHNEIDER**

CERTIFIED PUBLIC ACCOUNTANT

(201) 538-4008

10 WINDSOR WAY  
MORRISTOWN, NEW JERSEY 07960

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

To the Shareholder of  
Ameriprop, Inc.:

In planning and performing our audit of the financial statements of Ameriprop, 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 financial statements and not to provide assurance on the internal control structure.

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 procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or 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, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 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, protection 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 that we consider to be material weaknesses 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 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 New York Stock Exchange 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.

  
WARREN M. SCHNEIDER  
Certified Public Accountant

New York, New York  
January 24, 2002