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

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

OMB APPROVAL OMB Number: 3218-0123 Expires: September 30, 1999 Estimated average burden hours per response... 12.00

SEC FILE NUMBER 28100

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 1/1/00 AND ENDING 12/31/00

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

The Tax Advisory, Inc

OFFICIAL USE ONLY FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 40 Shawn Court

Alamo, California (No. and Street) 94507

(City) (State) (Zip Code)

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

Gordon Kolsch (925) 831-3000

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report* Edic, William Charles

1012 White Gate Road Alamo California 94507

(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 15 2002

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).

SEC 1410 (3-91)

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Revised

3/14/02 SS

OATH OR AFFIRMATION

I, Gordon Kolch, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Tax Advisory, as of December 31, 1900, 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:

G. Kolch

President

Title

Gina M. Reiboldt

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(a)(3).

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME of individual, state last, first, middle name

Edic, William Charles

Certified Public Accountant

79

ADDRESS

1012 White Gate Road

71

Alamo

78

CA

73

94507

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States
or any of its possessions

77

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DO NOT WRITE UNDER THIS LINE ... FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
82	81	80	79				

WILLIAM C. EDIC

Certified Public Accountant
1012 White Gate Road
Alamo, California 94507

Phone/Fax (925) 820-3324

Mr. Gordon Kolsch
THE TAX ADVISORY, INC.
Alamo, CA 94507

Revised

I have audited the financial and operational combined uniform single report, part IIA of Form X-17A-5 of the Tax Advisory, Inc. for the year ended December 31, 2000. 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 audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 principals used and significant estimates made by management, as well as evaluating the overall financial presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the report referred to above presents fairly, in all material respects, the financial position of The Tax Advisory, Inc. as of December 31, 2000, and the results of its operations and statement of cash flow for the year then ended, in conformity with generally accepted accounting principles.

In my audit of the financial and operational combined uniform single report, part IIA of Form X-17A-5 of the Tax Advisory, Inc. for the year ended December 31, 2000 I performed the expanded review of internal control procedures as required by SEC Rule 17a-5. These included a review of the accounting system, the internal accounting control and procedures for safeguarding securities including appropriate tests of the period since the prior examination date.

I did not verify, by physical inspection and examination, all client funds and securities on hand. As of such date, and in accordance with their normal custom and practice, The Tax Advisory, Inc. did not have any client funds or securities on its premises. Rather, physical custody of all client funds and securities were held by several financial institutions (banks, brokerage firms, mutual funds, etc.) and in the name of the client. Accordingly, I performed the following procedures as of December 31, 2000:

I obtained independent third-party confirmations of all funds on deposit with banks, funds invested in mutual funds, and securities held by brokerage firms. I reconciled the confirmation replies to the underlying books and records and bank statements and month end statements of account from the mutual funds and brokerage firms and to the detail investment records of The Tax Advisory, Inc. All funds and investments owned for their account are held under The Tax Advisory, Inc. name in banks or publicly traded mutual funds. The Tax Advisory, Inc. only received funds for provided investment advice. No receipts occurred from the sale of securities or mutual fund shares except for it's own account.

I obtained independent written confirmations of the balance of investments as of December 31, 2000 for each of the Company's investments noting none belonging to clients. I obtained a judgmental sample of transactional invoices and compared the information contained thereon with brokerage statements. No material exceptions or discrepancies were noted. I noted that all cash deposits were due to investment services provided.

Based on the results of my physical inspection and confirmation examination, it is my opinion that the statement of financial condition, results of operations, cash flow, and Computation of Net Capital of The Tax Advisory, Inc. did not contain any inadequacies at the date of examination in accordance with the Computation of Net Capital under Section 240.15c3-1, the Computation of Determination of Reserve Requirements for Brokers or Dealers under Exhibit A of Sec. 240.15c3-3, and information Relating to the Possession or Control Requirements under Sec. 240.15c3-3.

I also reviewed the practices and procedures followed by The Tax Advisory, Inc. regarding:

- i. Making the periodic computation of aggregate indebtedness and net capital under Sec. 240.17a-3(a)(11) and the reserve required by Sec. 240.15c3-3(e);
- ii. Making quarterly securities examinations (Mutual Fund holdings) and any recordation of differences required by Sec. 240.17a-13;
- iii. Complying with the requirement for prompt payment for securities (mutual fund acquisitions) of section 4(c) of Regulation T (Sec. 220.4 (c) of chapter II of title 12) of the Board of Governors of the Federal Reserve System;
- iv. Maintaining physical possession or control of fully paid securities as required by Sec. 240.15c3-3. The Tax Advisory, Inc. does not have possession of client securities or investments in publicly traded mutual funds.

Mr. Gordon Kolsch

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02/10/02

In connection with my audit and my review of procedures for safeguarding securities, nothing came to my attention that caused me to believe that the company was not in compliance with terms and conditions of any sections of the Securities Exchange Act of 1934. No material inadequacies were found to exist.

February 10, 2002
Alamo, California

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER

The Tax Advisory, Inc.

as of 12/31/00

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable	\$ 1066	\$ 1266	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account	1114	1318	1630
B. Other	1116	1806	1640
15. Payable to non-customers	1186	1986	1610
16. Securities sold not yet purchased, at market value		1380	1380
17. Accounts payable, accrued liabilities, expenses and other	1385	4,585	4,585
18. Notes and mortgages payable:			
A. Unsecured	1210		1210
B. Secured	1211	1280	1790
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$	870		
2. Includes equity subordination (15c3-1(d)) of ... \$	880		
B. Securities borrowings, at market value from outsiders \$	880	1410	1790
C. Pursuant to secured demand note collateral agreements		1480	1790
1. from outsiders \$	1000		
2. Includes equity subordination (15c3-1(d)) of ... \$	1010		
D. Exchange memberships contributed for use of company, at market value		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1385	1448	1780
20. TOTAL LIABILITIES	\$ 1280	\$ 29,585	\$ 29,585

Ownership Equity

21. Sole proprietorship			1770
22. Partnership (limited partners)	1080		1780
23. Corporation:			
A. Preferred stock			1791
B. Common stock			1782
C. Additional paid-in capital			1783
D. Retained earnings			1784
E. Total			1785
F. Less capital stock in treasury			1786
24. TOTAL OWNERSHIP EQUITY			69,979
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY			99,564

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER

The Tax Advisory, Inc.

as of 12/31/00

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (8 2/3% of line 10)	\$	3785
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000 3785
13. Net capital requirement (greater of line 11 or 12)	\$	5,000 3785
14. Excess net capital (line 10 less 13)	\$	20,468 3770
15. Excess net capital at 1000% (line 10 less 10% of line 13)	\$	25,468 3785

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.L. liabilities from Statement of Financial Condition	\$	3800
17. Add:		
A. Drafts for immediate credit	\$	3000
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3010
C. Other unrecorded amounts (List)	\$	3000
18. Total aggregate indebtedness	\$	3810 3810
20. Percentage of aggregate indebtedness to net capital (line 18 ÷ line 10)	%	3810 3810
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%	3810 3810

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debt items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debts	\$	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	3800 3785
24. Net capital requirement (greater of line 22 or 23)	\$	3870 3870
25. Excess capital (line 10 less 24)	\$	3870 3870
26. Net capital in excess of the greater of:		
A. 6% of combined aggregate debt items or \$120,000	\$	3800 3800

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
 - 1. Minimum dollar net capital requirement, or
 - 2. 8 2/3% of aggregate indebtedness or 4% of aggregate debts if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

REVISED

THE TAX ADVISORY, INC.
Reconciliation of Audited and Focus Report
Computation of Net Capital
December 31, 2000

Net capital per Audited Report	\$ 30,069
Net capital per Focus Report	<u>25,468</u>
Difference due to haircuts computation	\$ <u>4,601</u>

William C. Edic, Certified Public Accountant

Revised

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER

The Tax Advisory, Inc.

For the period (MMDDYY) from 11/00 2000 to 12/31/00 2000
Number of months included in this statement 12 2001

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$		2000
b. Commissions on listed option transactions	%		2000
c. All other securities commissions			2000
d. Total securities commissions			4000
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			2000
b. From all other trading			2000
c. Total gain (loss)			2000
3. Gains or losses on firm securities investment accounts		(12,144)	2000
4. Profit (loss) from underwriting and selling groups	%		2000
5. Revenue from sale of investment company shares		33,738	2000
6. Commodities revenue			2000
7. Fees for account supervision, investment advisory and administrative services		90,000	2000
8. Other revenue		50,519	2000
9. Total revenue		162,113	4000

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers			
11. Other employee compensation and benefits	\$	100,000	4100
12. Commissions paid to other broker-dealers	%	7,564	4110
13. Interest expense			4140
a. Includes interest on accounts subject to subordination agreements		4070	
14. Regulatory fees and expenses		285	4100
15. Other expenses		48,523	4100
16. Total expenses		156,372	4000

NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)			
18. Provision for Federal income taxes (for parent only)	\$	5,742	4010
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			4000
a. After Federal income taxes of		4000	
22. Extraordinary gains (losses)			4000
a. After Federal income taxes of		4000	
21. Cumulative effect of changes in accounting principles			4000
22. Net income (loss) after Federal income taxes and extraordinary items		5,742	4000

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items			
	\$	478	4011

REVISED

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

The Tax Advisory, Inc.

For the period (MMDDYY) from 11/00 to 12/31/00

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period		<u>29,910</u>	4000
A. Net income (loss)		<u>5,797</u>	4000
B. Additions (includes non-conforming capital of	4000	<u>34,327</u>	4000
C. Deductions (includes non-conforming capital of	4078		4078
2. Balance, end of period (From item 1800)		<u>69,979</u>	4000

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period		<u>25,000</u>	4000
A. Increases			4010
B. Decreases			4000
4. Balance, end of period (From item 3820)		<u>25,000</u>	4000

OMIT PENNIES

REVISED

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER **The Tax Advisory, Inc.** as of 12/31/00

Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (a) (1) — \$2,500 capital category as per Rule 15c3-1 4850
4850
- B. (x) (2)(A) — "Special Account for the Exclusive Benefit of customers" maintained 4851
- C. (a) (2) (B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis
Name of clearing firm: Edwards Larkin Patterson Firm 4852
4852
- D. (a) (3) — Exempted by order of the Commission (include copy of letter) 4853

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
1					
2					
3					
1					
2					
Total \$			4854		

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

REVISED



Roberto Grasso
Supervisor of Examiners

February 8, 2002

Mr. Gordon Kolsch
President
The Tax Advisory, Inc.
40 Shawn Court
Alamo, CA 94507-2866

Dear Mr. Kolsch:

This acknowledges receipt of your 2000 annual filing of audited financial statements made pursuant to Securities and Exchange Commission (SEC) Rule 17a-5(d) (the Rule). The report as submitted appears deficient in that it did not contain the following:

An accurate computation of net capital due to the firm's incorrect treatment of \$23,350 in Nasdaq warrants. These securities are not readily marketable and therefore, should be treated as a non-allowable asset.

Therefore, your submission cannot be considered to comply with the requirements of the Rule. The text of the Rule is reproduced in the NASD Manual under the section titled SEC Rules and Regulation T, and we suggest that you review it with your independent accountant.

Pursuant to the provisions of NASD Rule 8210, we request that you immediately send one copy of the items listed above to this office and to the SEC regional or district office, and two copies to the SEC Washington, D.C. office. Your submissions must include a newly completed Part III Facing Page, a copy of which is enclosed for your convenience.

Please attend to this matter promptly. If you have any questions, please contact Kathleen Hart, Compliance Examiner, at (415) 882-1282.

Sincerely,

A handwritten signature in black ink, appearing to read "Roberto Grasso".

Roberto Grasso
Supervisor of Examiners

RG:ra

cc: Jack Bruns, Chief Examiner, Securities and Exchange Commission
William C. Edic, Certified Public Accountant

Enclosure

William C. Edic, CPA
1012 White Gate Road
Alamo, CA 94507
Phone/Fax (925) 820-3324
e.mail: wedic@cs.com

William C. Edic, CPA

Fax

To: Angelita, NASD Regulation **From:** Bill Edic
Fax: 415-546-6991 **Pages:** 1
Phone: **Date:** February 10, 2002
Re: Tax Advisory, Inc **CC:** Gordon Kolsch

Urgent For Review Please Comment Please Reply Please Recycle

● **Comments:**

In answer to your query here is the breakdown of the investment balance sheet amount for The Tax Advisory, Inc. at 12/31/00:

<u>Investment</u>	<u># shrs.</u>	<u>Per Shr. Price</u>	<u>Value</u>
Technology Innovaters Fund	718.408	23.13	16,616.78
Fidelity Growth Co. Fund	196.764	71.43	14,054.85
NASD shares	250.000	13.00	3,250.00)
NASD Phase 1 Warrents	300.000	11.00	3,300.00) \$23,350
NASD Phase 11 Warrents	1,200.00	14.00	<u>16,800.00)</u>
			<u>\$ 54,021.63</u>

If you have any questions please contact me at the letterhead address.

Very truly yours,

Bill Edic
William C. Edic

Form
X-17A-5

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
PART IIA 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Statute):

- 1) Rule 17b-6(a) 16 2) Rule 17b-6(b) 17 3) Rule 17b-11 18
4) Special request by designated examining authority 19 5) Other 20

NAME OF BROKER-DEALER The Tax Advisory, Inc	SEC FILE NO. 8-28100 15
ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.) 40 Shawn Court	FORM ID. NO. 94-2717719 16
Alamo, <small>(City)</small> 21 CA <small>(State)</small> 22 94507 <small>(Zip Code)</small> 23	FOR PERIOD BEGINNING (MM/DD/YYYY) 1/1/00 24
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT Gordon Kolsch, The Tax Advisory, Inc. 25	AND ENDING (MM/DD/YYYY) 12/31/00 26
NAMES OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT: _____ _____ _____	Wire Center—Telephone No. 925-831-3000 27
	OFFICIAL USE 28
	29
	30
	31

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41
CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

DISCLOSURE:
The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 5th day of February 2002
Manual signature of: *[Signature]*
1) Principal Executive Officer or Managing Partner
2) Principal Financial Officer or Partner
3) Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 18 U.S.C. 781(a))

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