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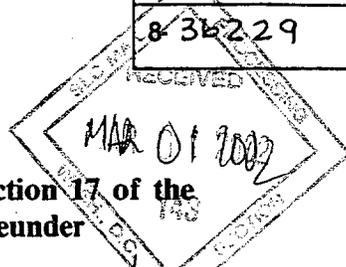
UK 3-22-02

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

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

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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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: STUART STONE & CO., LLC

OFFICIAL USE ONLY FIRM ID. NO.

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

171 RIDGEDALE AVE STE F (No. and Street)

FLORHAM PARK NJ 07932 (City) (State) (Zip Code)

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

GREGORY S. GRASSO 973-443-9666 (Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

CITRIN COOPERMAN & COMPANY, LLP (Name - if individual, state last, first, middle name)

530 MORRIS AVE SPRINGFIELD NJ 07081 (Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED MAR 26 2002 THOMSON FINANCIAL

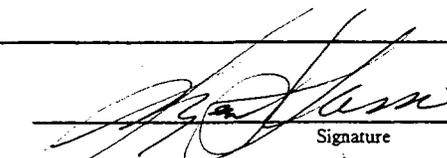
FOR OFFICIAL USE ONLY

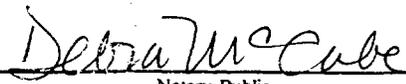
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

UK 3-22-02

OATH OR AFFIRMATION

I, GREGORY S. GRASSO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STUART STONE & CO., 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
OPERATING MANAGER
Title


Notary Public

DEBRA MCCABE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 3/6/2006

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).

STUART STONE & COMPANY, L.L.C.

FINANCIAL STATEMENTS

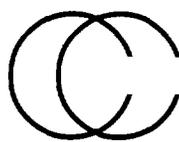
AND ADDITIONAL INFORMATION

YEAR ENDED DECEMBER 31, 2001

STUART STONE & COMPANY, L.L.C.
FOR THE YEAR ENDED DECEMBER 31, 2001

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Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Member
Stuart Stone & Company, L.L.C.
Florham Park, New Jersey

We have audited the accompanying statement of financial condition of Stuart Stone & Company, L.L.C. as of December 31, 2001, and the related statements of operations, changes in member's equity, 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 auditing standards generally accepted in the United States of America. 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 Stuart Stone & Company, L.L.C. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in pages 10 through 14 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. Specifically omitted is the statement of changes in liabilities subordinated to claims of general creditors due to its inapplicability in the absence of any subordinated liabilities. 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 19, 2002

STUART STONE & COMPANY, L.L.C.
STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2001

ASSETS

Current assets:	
Cash	\$ 4,741
Restricted cash	15,000
Marketable securities	8,777
Commissions receivable	<u>89,016</u>
Total current assets	117,534
Office condominium, at cost, net of accumulated depreciation of \$13,490	<u>193,435</u>
TOTAL ASSETS	<u>\$310,969</u>

LIABILITIES AND MEMBER'S EQUITY

Current liabilities:	
Current portion of long-term debt	\$ 3,292
Commissions payable	64,034
Accrued expenses	23,110
Payroll taxes payable	<u>935</u>
Total current liabilities	91,371
Long-term debt, net of current portion	<u>174,158</u>
Total liabilities	265,529
Member's equity	<u>45,440</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$310,969</u>

See accompanying notes to financial statements.

STUART STONE & COMPANY, L.L.C.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2001

Revenue:	
Commission	\$543,000
Services	13,094
Sublease rental income	13,075
Interest and dividends	1,726
Fee reimbursement	<u>12,408</u>
Total revenue	<u>583,303</u>
Operating expenses:	
Commissions	454,297
Office salaries	35,648
Payroll taxes	3,425
Professional fees	22,885
Communications	11,749
Office	7,710
Interest	17,094
Automobile	5,478
Employee benefits	4,675
Due diligence	4,728
Insurance	1,837
Miscellaneous	1,275
Taxes - other	3,353
Depreciation	5,306
Mediation settlement	2,500
Loss on sale of marketable securities	1,326
Unrealized loss on marketable securities	<u>396</u>
Total operating expenses	<u>583,682</u>
NET LOSS	<u>\$ (379)</u>

See accompanying notes to financial statements.

STUART STONE & COMPANY, L.L.C.
STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001

Balance - January 1, 2001	\$39,319
Contributions	6,500
Net loss	<u>(379)</u>
BALANCE - DECEMBER 31, 2001	<u>\$45,440</u>

See accompanying notes to financial statements.

STUART STONE & COMPANY, L.L.C.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2001

Cash flows from operating activities:	
Cash received from customers	\$ 534,021
Cash paid to suppliers and employees	(535,389)
Interest and dividends received	1,726
Interest paid	<u>(17,094)</u>
Net cash used in operating activities	<u>(16,736)</u>
Cash flow from investing activities:	
Sale of marketable securities	7,000
Purchase of marketable securities	<u>(32)</u>
Net cash provided by investing activities	<u>6,968</u>
Cash flows from financing activities:	
Loan repayments	(4,055)
Contributions from member	<u>6,500</u>
Net cash provided by financing activities	<u>2,445</u>
Net decrease in cash	(7,323)
Cash - beginning	<u>12,064</u>
CASH - ENDING	<u>\$ 4,741</u>
Reconciliation of net loss to net cash used in operating activities:	
Net loss	\$ (379)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation expense	5,306
Loss on sale of marketable securities	1,326
Unrealized loss on marketable securities	396
Changes in assets and liabilities:	
Increase in commissions receivable	(37,556)
Increase in commissions payable	18,604
Decrease in accrued expenses	(3,231)
Decrease in payroll taxes payable	<u>(1,202)</u>
Total adjustments	<u>(16,357)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (16,736)</u>

See accompanying notes to financial statements.

STUART STONE & COMPANY, L.L.C.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Stuart Stone & Company, L.L.C. is a registered broker/dealer whose principal business activity is the sale of mutual fund shares and other securities to the general public. The Company's customers are principally located in the New Jersey and New York metropolitan region.

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 period. Actual results could differ from those estimates.

Restricted Cash

Restricted cash represents funds set aside in a clearing firm deposit. The Company has executed an agreement which makes this deposit an allowable asset for 15c3 calculations.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentration of credit risk, consists principally of commissions receivable and marketable securities. The Company's policies do not require collateral to support commissions receivable. However, because of the diversity of individual accounts which comprise the total commissions receivable balance, and because the marketable securities consists of diversified mutual funds, management does not believe that the Company has any significant credit risk.

For the year ended December 31, 2001, approximately 66% of the Company's commission revenue is generated by four independent sales representatives, each representing from 15% to 20% of total revenues.

STUART STONE & COMPANY, L.L.C.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Office Condominium

The Company's office condominium is stated at cost. Maintenance and repairs are charged to operations. Depreciation expense is calculated on a straight-line basis over the building's estimated useful life, which is 39 years. Depreciation expense was \$5,306 for the year ended December 31, 2001.

Revenue Recognition

Customers' securities transactions and the related commission income and expense are recorded on a trade date basis.

Income Taxes

As a single-member limited liability company, the Company is treated as a pass-through entity for federal and state income tax purposes. As such, the Company does not pay federal or state income taxes on its taxable income. Instead, the Company's taxable income or loss is reported on the individual income tax return of the Company's sole member, who is responsible for any income taxes that may arise there from.

NOTE 2- MARKETABLE SECURITIES

The Company invests in one mutual fund. This fund is reported at fair value, with unrealized gains and losses included in income. At December 31, 2001, this fund had a fair value of \$8,777. Unrealized losses recognized in 2001 were \$396.

STUART STONE & COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 3- LONG-TERM DEBT

Long-term debt consists of the following:

Adjustable rate note payable to a bank at prime rate plus 1.75%, secured by a mortgage on the Company's office condominium. The interest rate at December 31, 2001 was 7.75%. The monthly installments were \$1,391, including interest. The note is due June 2024. \$177,450

Less: current maturities 3,292

Long-term debt, net of current portion \$174,158

Long-term debt matures as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2002	\$3,292
2003	3,822
2004	4,078
2005	4,351
2006	4,643
Thereafter	<u>157,264</u>
	<u>\$177,450</u>

NOTE 4- RELATED PARTY TRANSACTIONS

The Company rents various office equipment, when needed, from a corporation that is wholly-owned by the principal member of Stuart Stone & Company, L.L.C. For the year ended December 31, 2001, the Company did not rent any office equipment from the related party.

The principal member is also a salesman for Stuart Stone & Company, L.L.C. and receives sales commissions. The commission expense paid to the principal member for the year ended December 31, 2001 is \$89,794.

Accrued expenses include approximately \$13,600 of payables to related parties. Such liabilities are satisfied in the normal course of business.

STUART STONE & COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 5- 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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1). At December 31, 2001, the Company has statutory net capital of \$27,238, which is \$22,238 in excess of its required net capital of \$5,000 pursuant to rule 15c3-1(a)(vi). The Company's net capital ratio is 3.35 to 1. The Company is also in compliance with State of New Jersey Bureau of Securities regulations N.J.S.A. 49:s-57 and 13:47A-1.5, which require the maintenance of minimum net capital.

NOTE 6- COMMITMENTS AND CONTINGENCIES

Effective June 1, 2000, the Company has a month-to-month agreement to sublease a portion of their office space for \$500 per month. Effective July 2001, the Company has another month-to-month agreement to sublease a portion of their office space for \$650 per month. For the year ended December 31, 2001, sub-lease rental income was \$13,075.

During the year ended December 31, 2001, the Company filed a class action lawsuit collectively with other broker dealers against the managing general partner of a limited partnership for non-performance. The Company deposited \$16,745 into an escrow account of which \$10,000 represents an expense reimbursement from a sales representative who is also the Company's member, to be used for legal expense, litigation costs, and removal of the managing general partner. The ultimate out come of the class action lawsuit cannot be predicted with any certainty based on the information presently known to the Company. However, the Company does not believe that this litigation will have a material adverse effect on the Company's financial condition, cash flows or results of operations. In addition, the other broker dealers involved in the class action lawsuit have agreed to abstain from future litigation against each other.

NOTE 7- RETIREMENT PLAN

The Company has established a simplified employee pension plan (SEP). The SEP plan covers all eligible employees. During the year ended December 31, 2001, the Company made discretionary contributions in the amount of \$4,000 for the 2001 plan year.

NOTE 8- OFFICER'S LIFE INSURANCE

The bank holding the mortgage required the Company to obtain an officer's life insurance policy having the face value of \$185,000 on the life of the Company's member.

ADDITIONAL INFORMATION

STUART STONE & COMPANY, L.L.C.

COMPUTATION OF NET CAPITAL PURSUANT TO
RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2001

NET CAPITAL:	
Member's equity	<u>\$ 45,440</u>
Deductions:	
Non-allowable assets:	
Property and equipment, net	<u>16,885</u>
Sub-total	<u>16,885</u>
Haircuts	<u>1,317</u>
Net capital	<u>\$ 27,238</u>
AGGREGATE INDEBTEDNESS:	
Total liabilities	<u>\$ 91,371</u>
Aggregated indebtedness	<u>\$ 91,371</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:	
Minimum net capital required	\$ 6,094
Excess net capital	\$ 21,144
Ratio: Aggregate indebtedness to net capital	3.35:1

RECONCILIATION WITH COMPANY'S COMPUTATION:

No material differences exist between the above computation and the computation included in the Company's corresponding unaudited Form X-17A-5 Part II filing.

See independent auditors' report

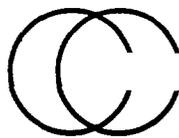
STUART STONE & COMPANY, L.L.C.

STATEMENT OF EXEMPTION FROM REQUIREMENTS OF
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2001

Pursuant to rule 15c3-3(k)(2)(B) regarding exemption from the provisions of section 240.15c3-3, Stuart Stone & Company, L.L.C. carries no customer accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker, does not hold funds or securities for, or owe money or securities to customers. Therefore, Stuart Stone & Company, L.L.C. is exempt from the provisions of this section. Consequently, information regarding the determination of reserve requirements, possession or control requirements and any related reconciliations are not herewith presented.

See independent auditors' report



Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED PURSUANT TO RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

The Member
Stuart Stone & Company, L.L.C.
Florham Park, New Jersey

In planning and performing our audit of the financial statements of Stuart Stone & Company, L.L.C. 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.

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 Stuart Stone & Company, L.L.C. 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 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 examination, 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 a system of 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 nevertheless 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.

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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

February 19, 2002.