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Washington, D.C. 20549



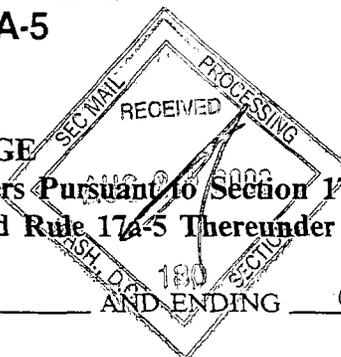
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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-40532

FACING PAGE

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



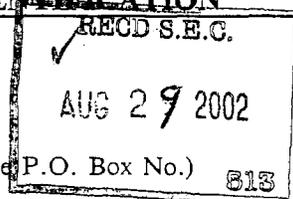
9/13/02

REPORT FOR THE PERIOD BEGINNING 07/01/01 AND ENDING 06/30/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Jack Dardis & Associates. Ltd.



OFFICIAL USE ONLY
FIRM ID. NO.

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

210 Veterans Boulevard, Suite 200

(No. and Street)

Metairie Louisiana 70005
(City) (State) (Zip Code)

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

John J. Dardis (504) 828-3052

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ericksen, Krentel & LaPorte, L.L.P.

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

4227 Canal Street New Orleans Louisiana 70119
(Address) (City) (State) (Zip/Code)

PROCESSED

CHECK ONE:

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

SEP 20 2002
THOMSON FINANCIAL

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*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).

ADP

9/13

OATH OR AFFIRMATION

I, John J. Dardis, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Jack Dardis & Associates, Ltd., as of June 30, 2002, 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:

John J. Dardis
Signature

President
Title

[Signature]
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 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 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.
- (o) Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CONTENTS

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS:

Exhibit "A" Statements of Financial Condition

Exhibit "B" Statements of Income

Exhibit "C" Statements of Changes in Stockholder's Equity

Exhibit "D" Statements of Cash Flows

Exhibit "E" Statements of Changes in Liabilities Subordinated to Claims of General Creditors

Notes to Financial Statements

SUPPLEMENTAL INFORMATION:

Schedule "1" Computations of Net Capital, Aggregate Indebtedness and Ratio of Aggregate Indebtedness to Net Capital under Rule 15c3-1 of the Securities and Exchange Commission

Schedule "2" Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 of the Securities and Exchange Commission

Schedule "3" Information Relating to the Possession or Control Requirements under Rule 15c3-3 of the Securities and Exchange Commission

ERICKSEN KRENTEL & LA PORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET
NEW ORLEANS, LOUISIANA 70119-5996
TELEPHONE (504) 486-7275 • FAX (504) 482-2516
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CLAUDE M. SILVERMAN*
KENNETH J. ABNEY*
W. ERIC POWERS

*PROFESSIONAL CORPORATION
BENJAMIN J. ERICKSEN - RETIRED
J.V. LECLERE KRENTEL - RETIRED

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder
of Jack Dardis & Associates, Ltd.

We have audited the accompanying statements of financial condition of Jack Dardis & Associates, Ltd. (a Louisiana corporation) as of June 30, 2002 and 2001, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years then ended that you are 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Jack Dardis & Associates, Ltd. as of June 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules "1" through "3" are 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 audits 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.

July 19, 2002


Certified Public Accountants

JACK DARDIS & ASSOCIATES, LTD
STATEMENTS OF FINANCIAL CONDITION
JUNE 30, 2002 AND 2001

ASSETS

| | 2002 | 2001 |
|--|-------------------|-------------------|
| <u>ASSETS:</u> | | |
| Cash and cash equivalents | \$ 35,442 | \$ 58,390 |
| Cash segregated under federal and other regulations | 85,572 | 51,784 |
| Commissions receivable | 51,866 | 48,068 |
| Secured demand note collateralized by marketable securities | - | 12,000 |
| Securities owned: | | |
| Marketable, at market value (cost \$95,945 and \$100,443 at June 30, 2002 and 2001, respectively) | 76,816 | 107,853 |
| Not readily marketable, at estimated fair value (cost \$18,900 and \$18,900 at June 30, 2002 and 2001, respectively) | 18,900 | 18,900 |
| Cash surrender value of officers' life insurance (net of loans of \$93,601 and \$91,127 at June 30, 2002 and 2001, respectively) | 16,331 | 12,530 |
| Income tax refund receivable | 1,013 | - |
| Deferred tax asset | 3,634 | - |
| | <u>\$ 289,574</u> | <u>\$ 309,525</u> |
| Total assets | | |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|---|-------------------|-------------------|
| <u>LIABILITIES:</u> | | |
| Payable to broker-dealers and clearing organizations | \$ 85,572 | \$ 48,193 |
| Due to affiliate | - | 25,978 |
| Income taxes payable | 5,093 | 6,723 |
| Deferred tax liability | - | 1,406 |
| Notes payable | - | 40,496 |
| Liabilities subordinated to claims of general creditors | - | 12,000 |
| | <u>90,665</u> | <u>134,796</u> |
| Total liabilities | | |
| <u>STOCKHOLDER'S EQUITY:</u> | | |
| Common stock, no par value, 10,000 shares authorized, 100 shares issued and outstanding | 1,000 | 1,000 |
| Additional paid-in capital | 6,000 | 6,000 |
| Retained earnings | 191,909 | 167,729 |
| | <u>198,909</u> | <u>174,729</u> |
| Total stockholder's equity | | |
| | <u>\$ 289,574</u> | <u>\$ 309,525</u> |
| Total liabilities and stockholder's equity | | |

See accompanying NOTES TO FINANCIAL STATEMENTS

JACK DARDIS & ASSOCIATES, LTD
STATEMENTS OF INCOME
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|--|------------------|------------------|
| <u>REVENUES:</u> | | |
| Commissions | \$ 497,020 | \$ 674,542 |
| Realized (loss) on investments | (13,468) | - |
| Unrealized (loss) on investments | (26,535) | (25,754) |
| Dividend and interest income | 9,601 | 21,662 |
| Other income | 1,115 | 164 |
| | <u>467,733</u> | <u>670,614</u> |
| <u>EXPENSES:</u> | | |
| Management fees | 392,176 | 600,557 |
| Bonding | 2,495 | 3,470 |
| Commissions | 4,165 | 6,392 |
| Insurance-general | 8,130 | 2,247 |
| Interest | 3,408 | 2,873 |
| Professional services | 7,260 | 7,565 |
| Regulatory fees | 4,244 | 2,646 |
| Taxes and licenses | 475 | 418 |
| Travel and entertainment | 951 | 2,810 |
| Other | 12,356 | 13,654 |
| | <u>435,660</u> | <u>642,632</u> |
| Total revenues | 467,733 | 670,614 |
| Total expenses | 435,660 | 642,632 |
| Income before provision for income taxes | <u>32,073</u> | <u>27,982</u> |
| <u>PROVISION FOR (BENEFIT FROM) INCOME TAXES:</u> | | |
| Current | 12,933 | 10,097 |
| Deferred | (5,040) | (4,906) |
| | <u>7,893</u> | <u>5,191</u> |
| Total provision for income taxes | 7,893 | 5,191 |
| Net income | <u>\$ 24,180</u> | <u>\$ 22,791</u> |

See accompanying NOTES TO FINANCIAL STATEMENTS

JACK DARDIS & ASSOCIATES, LTD
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

| | <u>Common Stock</u> | <u>Additional Paid-In Capital</u> | <u>Retained Earnings</u> | <u>Total</u> |
|--------------------------|-------------------------|---|------------------------------|-------------------|
| Balance at June 30, 2000 | \$ 1,000 | \$ 6,000 | \$ 144,938 | \$ 151,938 |
| Net income | <u>-</u> | <u>-</u> | <u>22,791</u> | <u>22,791</u> |
| Balance at June 30, 2001 | 1,000 | 6,000 | 167,729 | 174,729 |
| Net income | <u>-</u> | <u>-</u> | <u>24,180</u> | <u>24,180</u> |
| Balance at June 30, 2002 | <u>\$ 1,000</u> | <u>\$ 6,000</u> | <u>\$ 191,909</u> | <u>\$ 198,909</u> |

See accompanying NOTES TO FINANCIAL STATEMENTS

JACK DARDIS & ASSOCIATES, LTD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|---|------------------|------------------|
| <u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u> | | |
| Net income | \$ 24,180 | \$ 22,791 |
| Adjustments to reconcile net income to net cash from (used for) operating activities: | | |
| Unrealized loss on investments | 26,535 | 25,754 |
| Realized loss on sale of securities | 13,468 | - |
| Financed management fees | - | 40,496 |
| (Increase) in cash segregated under federal and other regulations | (33,788) | (48,382) |
| (Increase) in commissions receivable | (3,798) | (575) |
| (Increase) in cash surrender value of officers' life insurance (net of loans) | (3,801) | (3,366) |
| (Increase) in income tax receivable | (1,013) | - |
| (Increase) in deferred tax asset | (3,634) | - |
| Increase in payable to broker-dealers and clearing organizations | 37,379 | 46,445 |
| Increase (decrease) in income taxes payable | (1,630) | 2,481 |
| (Decrease) in deferred tax liability | (1,406) | (4,906) |
| | <u>52,492</u> | <u>80,738</u> |
| <u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u> | | |
| Purchase of securities | (18,312) | (43,993) |
| Proceeds from sale of securities | 9,346 | - |
| | <u>(8,966)</u> | <u>(43,993)</u> |
| <u>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</u> | | |
| Payments on notes payable | (40,496) | (46,346) |
| (Decrease) in due to affiliate | (25,978) | - |
| | <u>(66,474)</u> | <u>(46,346)</u> |
| Net cash (used for) investing activities | (8,966) | (43,993) |
| Net (decrease) in cash and cash equivalents | (22,948) | (9,601) |
| Cash and cash equivalents at beginning of year | <u>58,390</u> | <u>67,991</u> |
| Cash and cash equivalents at end of year | <u>\$ 35,442</u> | <u>\$ 58,390</u> |

See accompanying NOTES TO FINANCIAL STATEMENTS

JACK DARDIS & ASSOCIATES, LTD.
STATEMENTS OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

| | |
|---|--------------------|
| Subordinated liabilities at June 30, 2000 | \$ 12,000 |
| Changes during the year ended June 30, 2001 | <u>-</u> |
| Subordinated liabilities at June 30, 2001 | 12,000 |
| Changes during the year ended June 30, 2002 | <u>(12,000)</u> |
| Subordinated liabilities at June 30, 2002 | <u><u>\$ -</u></u> |

See accompanying NOTES TO FINANCIAL STATEMENTS

JACK DARDIS & ASSOCIATES, LTD.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

The Company is registered with the Securities and Exchange Commission as a broker-dealer. The Company is a nonclearing broker and, as such, has an agreement with a third-party broker and dealer to act as the Company's clearing broker to carry and clear its customers' margin and cash accounts and transactions on a fully-disclosed basis. The Company's main business is the sale of mutual funds to customers located in several states but primarily in the Greater New Orleans area.

Method of Accounting

Assets and liabilities and revenues and expenses are recognized on the accrual basis of accounting.

Commission Income and Expenses

Commission income and expenses from several types of securities transactions executed on behalf of customers are recorded on a settlement date basis, generally the third business day following the transaction date. Use of settlement date rather than trade date, as required by generally accepted accounting principles, does not materially affect reported financial position or results of operations.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to temporary differences between the bases of assets for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Securities

Marketable securities are valued at market value as determined by their quoted closing prices, and securities not readily marketable are valued at fair value as determined by management. The resulting difference between cost and market or fair value is included in income.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Commissions Receivable

No allowance has been made for uncollectible receivables as it has been the Company's experience that all amounts are collected in full.

JACK DARDIS & ASSOCIATES, LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002 AND 2001

(1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Advertising

The Company expenses all nondirect-response advertising costs as incurred.

Advertising expense for the years ended June 30, 2002 and 2001 was \$2,800 and \$3,100, respectively.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

(2) **STATEMENT OF CASH FLOW SUPPLEMENTARY DISCLOSURES**

Cash paid during the year for:

| | June 30, | |
|--------------|-----------|----------|
| | 2002 | 2001 |
| Interest | \$ 3,408 | \$ 2,873 |
| Income taxes | \$ 14,883 | \$ 7,616 |

Non-Cash Financing Activities:

During the year ended June 30, 2001, the Company executed a note payable for \$40,496 to serve as payment for management fees due to a related party as more fully disclosed in Note 8.

During the year ended June 30, 2002, a subordinated note payable to the stockholder of the Company for \$12,000 matured. The Company fulfilled this obligation by reducing an amount due from its shareholder by \$12,000.

(3) **CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS**

Cash of \$85,572 and \$51,784 at June 30, 2002 and 2001, respectively have been segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission.

(4) **PAYABLE TO BROKER-DEALER AND CLEARING ORGANIZATIONS**

Amounts payable to broker-dealers and clearing organizations at June 30, 2002 and 2001 consisted of the following:

| | 2002 | 2001 |
|----------------------------|-----------|-----------|
| Payable to clearing broker | \$ 85,572 | \$ 48,193 |

JACK DARDIS & ASSOCIATES, LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002 AND 2001

(5) **NOTES PAYABLE**

Notes payable at June 30, 2002 and 2001 consisted of the following:

| | <u>2002</u> | <u>2001</u> |
|---|-------------|-------------|
| Note payable to Professional Management Consultants, Inc., an affiliated company, due on demand, bearing interest at a rate of 7.5%, unsecured. | - | 40,496 |
| | \$ - | \$ 40,496 |

(6) **REGULATORY REQUIREMENT**

The Company is a registered broker and dealer in securities and is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under the Uniform Net Capital Rule a broker and dealer who does not carry customers' accounts is required to maintain net capital, as defined in the Uniform Net Capital Rule, of \$50,000 or 12.5% of aggregate indebtedness, as defined, whichever is greater. The Uniform Net Capital Rule precludes the withdrawal of equity capital if the ratio of aggregate indebtedness to net capital exceeds 10 to 1. At June 30, 2002 and 2001, the net capital requirements were \$50,000. The Company's ratio of aggregate indebtedness to net capital was .62 to 1 and 1 to 1 at June 30, 2002 and 2001, respectively.

(7) **RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2002 and 2001, \$392,176 and \$600,557, respectively, were paid to a company affiliated with Jack Dardis & Associates, Ltd. through common ownership for management fees and reimbursement of operating costs. At June 30, 2001 Jack Dardis & Associates, Ltd. had an advance of \$25,978 owed to an affiliated company. This advance bears no interest and has no stipulated repayment terms. During the year ended June 30, 2002, this advance was paid off in full. In addition, as more fully described in Note 6, the Company had an outstanding note payable of \$40,496 due to the affiliated company at June 30, 2001. During the year ended June 30, 2001, \$229 in interest was incurred and paid on this note.

As more fully described in Note 9, the Company owed a shareholder \$12,000 under a subordinated note payable at June 30, 2001. During the year ended June 30, 2002, this amount was paid in full.

(8) **LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**

At June 30, 2001, a subordinated note payable, in the amount of \$12,000 was outstanding pursuant to a secured demand note collateral agreement for equity capital. The subordinated liability was non-interest bearing and was payable to the stockholder of the Company. The note in the amount of \$12,000 matured February 28, 2002 and was paid. The secured demand note was collateralized by marketable equity securities with a market value of approximately \$59,213 and cash of \$4,372 at June 30, 2001.

JACK DARDIS & ASSOCIATES, LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002 AND 2001

(8) LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
(CONTINUED)

The secured demand note collateral agreement for equity capital was approved by the National Association of Securities Dealers and was available in computing net capital under the Securities and Exchange Commission's Uniform Net Capital Rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

(9) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company initiates customers' securities transactions through a clearing broker which, in accordance with generally accepted accounting principles, are not included on the balance sheet. These transactions are referred to as "off-balance sheet commitments" and differ from the Company's balance sheet activities in that they do not give rise to funded assets or liabilities. The Company receives a commission for initiating such transactions for its customers. Initiating these trades for its customers involves varying degrees of credit and market risk in excess of amounts recognized on the balance sheet. The Company minimizes its exposure to loss under these commitments by subjecting customer accounting to credit approval and monitoring procedures.

Once a trade is executed, a customer is allowed three business days to settle the transaction by payment of the settlement price (when purchasing securities) or the receipt of settlement proceeds (when selling securities). The Company is required by law to immediately complete a securities transaction when a customer fails to settle. The Company is at risk for any loss realized in completing transactions for its customers. This risk is minimized in that the Company would receive the securities as collateral. At June 30, 2002 and 2001, all unsettled transactions were subsequently settled by customers without loss to the Company or open commitments were adequately collateralized.

(10) INCOME TAXES

Deferred Tax Asset/(Liability)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets/(liabilities) consist of the following:

| | June 30, | |
|--|----------|------------|
| | 2002 | 2001 |
| Difference between the bases of investments for financial and income tax reporting | \$ 3,634 | \$ (1,406) |

These amounts have been presented in the accompanying financial statements as a deferred tax asset of \$3,634 at June 30, 2002 and a deferred tax liability of \$1,406 at June 30, 2001.

JACK DARDIS & ASSOCIATES, LTD.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002 AND 2001

(10) INCOME TAXES (CONTINUED)

Effective Tax Rate

The effective tax rates of 24.61% in 2002 and 18.55% in 2001 differ from the federal statutory rate of 34% principally because of the effects of various nondeductible expenses, tax exempt income, and the benefit of graduated tax rates.

(12) FINANCIAL INSTRUMENTS

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk include cash deposits at financial institutions and commissions receivable due from third-party brokers and dealers. The Company requires no collateral to secure the receivables.

The company's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The amount in excess of FDIC coverage at June 30, 2002 was \$31,924.

The Company is engaged in various trading and brokerage activities in which counterparties primarily include a third-party broker-dealer, as described above, and other investment companies. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

(13) RECLASSIFICATION OF FINANCIAL STATEMENT PRESENTATION

Certain reclassifications have been made to the 2001 financial statements to conform with the 2002 financial statement presentation. Such reclassification had no effect on financial position or results of operations as previously reported.

JACK DARDIS & ASSOCIATES, LTD.
 COMPUTATIONS OF NET CAPITAL, AGGREGATE INDEBTEDNESS
 AND RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL UNDER
 RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|---|-------------------|-------------------|
| Stockholder's equity | \$ 198,909 | \$ 174,729 |
| Add: Liabilities subordinated to claims of general creditors allowable in computation of net capital | - | 12,000 |
| Less: Non-allowable assets | (22,534) | (18,900) |
| Haircuts on investments | <u>(28,998)</u> | <u>(32,790)</u> |
| Net capital | 147,377 | 135,039 |
| Net capital requirement - greater of \$50,000 or 12.5% of aggregate indebtedness | <u>50,000</u> | <u>50,000</u> |
| Net capital in excess of requirement | <u>\$ 97,377</u> | <u>\$ 85,039</u> |
| Aggregate indebtedness | <u>\$ 90,665</u> | <u>\$ 134,796</u> |
| Ratio of aggregate indebtedness to net capital | <u>.62 to 1</u> | <u>1 to 1</u> |
| Reconciliation with company's computation (included in Part II of Form X-17a-5 as of June 30, 2002 and 2001) | | |
| Net capital, as reported in Company's Part II (unaudited) | | |
| FOCUS report | \$ 155,731 | \$ 120,276 |
| Non-marketable security not excluded | (18,900) | - |
| Deferred tax asset not excluded | (3,634) | - |
| Prior year adjustments not made | (4,598) | - |
| Secured receivables excluded | - | 12,000 |
| Adjust cash balance | - | (25,000) |
| Adjust commissions for commissions receivable | (10,380) | 43,701 |
| Reclass expense amounts posted to payables | 693 | - |
| Adjust market value of investments | 160 | 1,008 |
| Adjust net cash surrender value of officers life insurance | 766 | (2,505) |
| Adjust income tax provision | (5,711) | (1,734) |
| Adjust accrued management fees | <u>33,250</u> | <u>(12,707)</u> |
| Net capital per above | <u>\$ 147,377</u> | <u>\$ 135,039</u> |
| Aggregate indebtedness, as reported in Company's Part II (unaudited) FOCUS report | \$ 111,088 | \$ 115,346 |
| Liabilities subordinated to claims of general creditors not reported | - | 12,000 |
| Adjust accrued management fees | (25,520) | 12,707 |
| Adjust income tax related liabilities | 1,505 | (1,666) |
| Adjust for commissions receivable | <u>3,592</u> | <u>(3,591)</u> |
| Aggregate indebtedness per above | <u>\$ 90,665</u> | <u>\$ 134,796</u> |

There is no material difference between the computation of the basic net capital requirement as presented herein and as reported by the Company in Part II of Form X-17a-5 as of June 30, 2002 and 2001. Included in the computation of net capital are 12b1 fees verified as received within 30 days of June 30, 2002 and 2001.

See Auditors' Report

JACK DARDIS & ASSOCIATES, LTD.
COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS PURSUANT TO RULE 15C3-3 OF THE SECURITIES
AND EXCHANGE COMMISSION
JUNE 30, 2002 AND 2001

The Company is exempt from the reserve requirements and the related computations for the determination thereof under paragraph (k) (2) of Rule 15c3-3 under the Securities Exchange Act of 1934 as the Company carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transactions with customers through unaffiliated clearing organizations on a fully-disclosed basis.

During the years ended June 30, 2002 and 2001, the Company maintained compliance with the conditions for exemption specified in paragraph (k) (2) of Rule 15c3-3.

JACK DARDIS & ASSOCIATES, LTD.
 INFORMATION RELATING TO THE POSSESSION OR CONTROL
 REQUIREMENTS UNDER RULE 15C3-3 OF THE SECURITIES
 AND EXCHANGE COMMISSION
JUNE 30, 2002 AND 2001

| | <u>Market Value</u> | <u>Number of Items</u> |
|--|-------------------------|--------------------------------|
| Information for possession or control requirements: | | |
| <u>For the year ended June 30, 2002:</u> | | |
| Customers' fully-paid securities and excess margin securities not in the Company's possession or control as of June 30, 2002, (for which instructions to reduce to possession or control had been issued as of June 30, 2002 but for which the required action was not taken within the time frames specified under Rule 15c3-3) | None | None |
| Customers' fully-paid securities and excess margin securities for which instruction to reduce to possession or control had not been issued as of June 30, 2002, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3 | None | None |
| <u>For the year ended June 30, 2001:</u> | | |
| Customers' fully-paid securities and excess margin securities not in the Company's possession or control as of June 30, 2001, (for which instructions to reduce to possession or control had been issued as of June 30, 2001 but for which the required action was not taken within the time frames specified under Rule 15c3-3) | None | None |
| Customers' fully-paid securities and excess margin securities for which instruction to reduce to possession or control had not been issued as of June 30, 2001, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3 | None | None |

ERICKSEN KRENTEL & LAPORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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*PROFESSIONAL CORPORATION
BENJAMIN J. ERICKSEN - RETIRED
J.V. LECLERE KRENTEL - RETIRED

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17A-5

Board of Directors and Shareholder
Jack Dardis & Associates, Ltd.

In planning and performing our audits of the financial statements of Jack Dardis & Associates, Ltd. (the Company) for the years ended June 30, 2002 and 2001, 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 internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by Jack Dardis and Associates, Ltd. including tests of compliance with 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 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. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements from 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 judgments 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 the preparation of financial statements in accordance 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 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.

Board of Directors and Shareholder
Jack Dardis & Associates, Ltd.
July 19, 2002
Page 2

Our consideration of the 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 the 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 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 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 that the Company's practices and procedures were adequate at June 30, 2002 and 2001 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the New York Stock Exchange and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

July 19, 2002


Ernie Kuntz & Fortner
Certified Public Accountants

JACK DARDIS & ASSOCIATES, LTD.
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEARS ENDED
JUNE 30, 2002 AND 2001

ERICKSEN KRENTEL & LAPORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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