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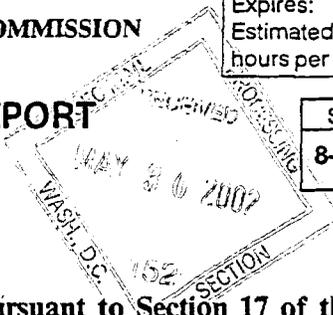
COMMISSION

Washington, D.C. 20549

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

SEC FILE NUMBER
8- 33556



FACING PAGE

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

6/7/02

REPORT FOR THE PERIOD BEGINNING April 1, 2001 AND ENDING March 31, 2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Direct Access Brokerage Services, Inc.

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

39 South LaSalle Street Suite 210

(No. and Street)

Chicago

Illinois

60603

(City)

(State)

(Zip Code)

OFFICIAL USE ONLY

FIRM ID. NO.

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

Bradford Dooley

(312) 939-0477

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

RF Rifkin Ltd. Certified Public Accountants

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

125 South Wacker Drive Suite 2800 Chicago, IL 60606

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

PROCESSED

JUN 19 2002

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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).

OATH OR AFFIRMATION

I, William F. Lewke, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Direct Access Brokerage Services, Inc., as of March 31, 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:

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

William Lewke  
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 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).

**RF RIFKIN LTD**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**DIRECT ACCESS BROKERAGE SERVICES, INC.**

Financial Statements and Schedule

March 31, 2002

(With Auditors' Report Thereon)

# R F RIFKIN LTD

CERTIFIED PUBLIC ACCOUNTANTS

The Sole Shareholder  
Direct Access Brokerage Services, Inc.

We have audited the accompanying statement of financial condition of Direct Access Brokerage Services, Inc. as of March 31, 2002, and the related statements of operations, changes in stockholder's equity, changes in liabilities subordinated to claims of creditors, and cash flows for the year 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 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 from 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 in all material respects, the financial position of Direct Access Brokerage Services, Inc. as of March 31, 2002, 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 Schedule-A is presented for the 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. This schedule is the responsibility of the Company's management. 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.



R.F. Rifkin Ltd.  
Certified Public Accountants  
Chicago, Illinois  
May 20, 2002

DIRECT ACCESS BROKERAGE SERVICES, INC

Statement of Financial Condition

March 31, 2002

Assets

Cash	\$ 1,349,063
Deposit with clearing organizations	142,000
Receivable from customers	71,167
Receivable - others	20,500
Securities owned	
Marketable at market value	23,552
Furniture and equipment, at cost, less accumulated depreciation of \$469,323	168,509
Prepaid expenses	11,828
Refundable income taxes	72,644
Other assets	13,041
	<u>\$ 1,872,304</u>

Liabilities and Stockholder's Equity

Bank overdraft	\$ 8,586
Accounts payable and accrued expenses	137,624
Accrued subordinated loan interest	4,442
	<u>150,652</u>
Commitments and contingent liabilities	-
Loan payable to stockholder, subordinated to the claims of general creditors	1,500,000
Stockholder's equity	
Common stock, \$1 par value, authorized issued and outstanding - 5000 shares	5,000
Retained earnings	216,652
	<u>\$ 1,872,304</u>

The accompanying notes are an  
integral part of these financial statements

DIRECT ACCESS BROKERAGE SERVICES, INC

Statement of Operations

Year ended March 31, 2002

Revenue	
Floor brokerage and trading income	\$ 1,994,594
Interest and dividends	39,170
Total revenue	<u>2,033,764</u>
Expenses	
Employee compensation and payroll taxes	898,641
Commissions	216,503
Rebates expense	63,565
Floor brokerage, exchange and clearance fees	138,266
Quotation services & communications	361,700
Occupancy	126,398
Other expenses	525,394
Total expenses before taxes	<u>2,330,467</u>
Loss before income taxes	<u>(296,703)</u>
Benefit for income taxes	(73,619)
Net Loss	<u>\$ (223,084)</u>

The accompanying notes are an integral part of these financial statements

DIRECT ACCESS BROKERAGE SERVICES, INC

Statement of Changes in Stockholder's Equity

Year ended March 31, 2002

	Common <u>stock</u>	Retained <u>earnings</u>	Total stock- holder's <u>equity</u>
Balance at March 31, 2001	\$5,000	\$439,736	\$444,736
Net loss		(223,084)	(223,084)
Balance at March 31, 2002	<u>\$5,000</u>	<u>\$216,652</u>	<u>\$221,652</u>

Statement of Changes in Liabilities Subordinated to Claims of Creditors

Year ended March 31, 2002

Balance at March 31, 2001	\$ 1,500,000
Additions during year	-
Balance at March 31, 2002	<u>\$ 1,500,000</u>

The accompanying notes are an  
integral part of these financial statements

DIRECT ACCESS BROKERAGE SERVICES, INC

Statement of Cash Flows

Year ended March 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$ (223,084)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	89,421
(Increase) decrease in operating assets:	
Deposit with clearing corporation	16,000
Receivable from customers	248,327
Receivable from employees	9,460
Refundable income taxes	(72,644)
Prepaid expenses	(11,828)
(Decrease) increase in operating liabilities:	
Bank overdraft	(24,716)
Accounts payable and accrued expenses	(100,662)
Income taxes payable	(10,120)
Accrued subordinated loan interest	4,441
Net cash used by operating activities	<u>(75,405)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(27,734)
Decrease in:	
Securitized owned	75,650
Net cash provided by investing activities	<u>47,916</u>
Net increase in cash	<u>(27,489)</u>
Cash at beginning of year	1,376,552
Cash at end of year	<u><u>\$ 1,349,063</u></u>
Supplemental cash flows disclosures:	
Income tax benefit	<u><u>\$ (73,619)</u></u>
Interest payments	<u><u>\$ 106,600</u></u>

The accompanying notes are an integral part of these financial statements

# DIRECT ACCESS BROKERAGE SERVICES, INC.

## Notes to Financial Statements

March 31, 2002

### NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business activity

Direct Access Brokerage Services, Inc. (the Company) is registered as a broker-dealer under the Securities and Exchange Act of 1934.

#### Security Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis

#### Property and equipment

Property and equipment are carried at cost. Depreciation of property and equipment is computed using the accelerated cost recovery method and the modified accelerated cost recovery system for both reporting and federal income tax purposes. Depreciation is based on the estimated useful lives of the related assets.

#### Income taxes

For financial reporting, the Company recognizes certain items of income and expenses in periods different from the periods in which they report those items for income tax purposes

#### Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business.

## NOTE B - RESERVE REQUIREMENTS

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 between the Company and its customer through a bank account designated as "Special Account for the Exclusive benefit of Customers". Accordingly, the Company meets the exemptive provisions of the customer protection rule (Rule 15c3-3).

## NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and are summarized by major classifications as follows:

Computer equipment	\$ 575,972
Furniture & fixtures	38,841
Leasehold improvements	23,018
	<u>637,831</u>
Less accumulated depreciation	469,323
	<u>\$168,509</u>
	=====

Depreciation for financial reporting purposes and for federal income tax purposes amounted to \$89,421 in 2002.

## NOTE D - BANK LINE-OF-CREDIT

The company has a bank line-of-credit of \$1,500,000. Outstanding balances bear interest at a fluctuating rate based on 1 percent over prime (average rate of 5.75 percent at March 31, 2002). The line-of-credit is collateralized by marketable securities, guaranteed by the sole shareholder, and payable on demand. At March 31, 2002, there was no outstanding balance.

## NOTE E - LEASING ARRANGEMENTS

The company conducts its operations from facilities that are leased under an agreement which commenced March 1, 2001 and expires February 28, 2005. Future minimum rental payments required under the operating lease as of March 31, 2002 are as follows:

2002 - 2003	115,896
2003 - 2004	118,530
2004 - 2005	121,164

## NOTE F - INCOME TAXES

An income tax benefit results from the loss being carried back to prior years.

## NOTE G - SUBORDINATED LOANS PAYABLE TO STOCKHOLDER

The loans payable to stockholder at March 31, 2002 are subordinated to the claims of general creditors and consist of the following:

Loan payable on May 31, 2003 plus interest at 8%	\$130,000
Loan payable on May 31, 2003 plus interest at 8%	\$300,000
Loan payable on August 31, 2004 plus interest at 6%	\$170,000
Loan payable on June 30, 2003 plus interest at 8%	\$400,000
Loan payable on March 30, 2004 plus interest at 6%	\$500,000
	-----
	\$1,500,000
	=====

Interest expense paid to the stockholder during the year amounted to \$106,600.

The subordinated borrowings are 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.

## NOTE H - FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

The Company operates as a broker-dealer. In the normal course of trading activities, the Company acquires long positions in securities as well as obligations when securities are sold short.

While the potential loss on a long security position is limited to the amount paid, the potential loss on a security sold short is unlimited, as the market value increases, the obligation increases.

Security positions are monitored daily to limit adverse market risk. Additionally, securities positions are required to be carried at the market value in computing the Company's net capital.

## NOTE I - CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. 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.

## NOTE J - 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. Net capital may fluctuate on a daily basis. At March 31, 2002, the Company had net capital of \$1,414,882 which was \$1,314,882 in excess of its required net capital of \$100,000. The Company's percentage of aggregate indebtedness to net capital was 10.65%.

The Company is also subject to the capital requirements of various clearing organizations and is in compliance with their minimum capital requirements.

SCHEDULE-A  
DIRECT ACCESS BROKERAGE SERVICES, INC

Computation of Net Capital Under Rule 15c3-1

March 31, 2002

Computation of net capital:	
Stockholder's equity	\$ 221,652
Add:	
Liabilities subordinated to claims of general creditors	1,500,000
Deduct:	
Nonallowable assets	(303,031)
Contractual securities commitments	(206)
Haircut on securities and money market account	(3,533)
Net capital	<u>1,414,882</u>
Minimum net capital requirement	100,000
Net capital in excess of requirement	<u>\$ 1,314,882</u>
Aggregate indebtedness	<u>\$ 150,652</u>
Percentage of aggregate indebtedness to net capital	<u>10.65%</u>

Reconciliation with Company's Computation  
(included in Part II of Form X-17A-5)  
as of March 31, 2002

Net capital as previously reported	\$ 1,429,606
Net audit adjustments	(14,724)
Net capital as above	<u>\$ 1,414,882</u>

See accompanying auditors' report

# R F RIFKIN LTD

CERTIFIED PUBLIC ACCOUNTANTS

The Sole Shareholder  
Direct Access Brokerage Services, Inc.

In planning and performing our audit of the financial statements of Direct Access Brokerage Services, Inc. for the year ended March 31, 2002, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing 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 Direct Access Brokerage Services, Inc. that we considered relevant to the objectives stated in rule 17a-5(g), (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13; (3) 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; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

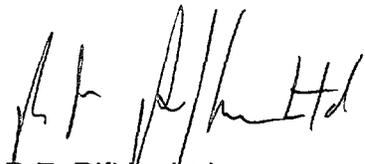
The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and 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, 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 March 31, 2002, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission 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.



R.F. Rifkin, Ltd.  
Certified Public Accountants  
Chicago, Illinois  
May 20, 2002