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SECUR



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COMMISSION

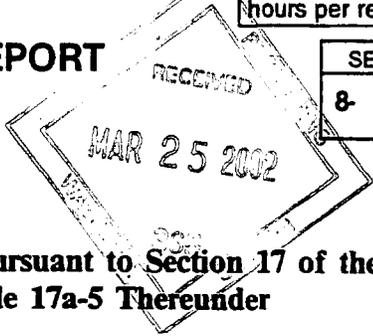
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|                          |                              |
|--------------------------|------------------------------|
| OMB APPROVAL             |                              |
| OMB Number:              | 3235-0123                    |
| Expires:                 | September 30, 1998           |
| Estimated average burden | hours per response ... 12.00 |

|                 |
|-----------------|
| SEC FILE NUMBER |
| 8- 52369        |

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



FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

#### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
D.C. CAPITAL, LLC

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM ID. NO.      |

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
6900 JERICHO TURNPIKE SUITE 208

(No. and Street)

SYOSSET NEW YORK 11791  
(City) (State) (Zip Code)

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

JOHN T. ABLAMSKY 516-883-4306

(Area Code - Telephone No.)

#### B. ACCOUNTANT IDENTIFICATION

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

KOSHERS & COMPANY, CERTIFIED PUBLIC ACCOUNTANTS (516) 481-1515

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

1094 MERRICK AVENUE MERRICK NY 11566  
(Address) (City) (State) Zip Code

#### CHECK ONE:

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

PROCESSED

P APR 12 2002

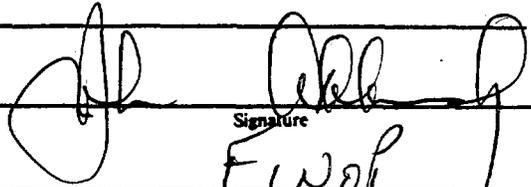
|                       |                      |
|-----------------------|----------------------|
| FOR OFFICIAL USE ONLY | THOMSON<br>FINANCIAL |
|-----------------------|----------------------|

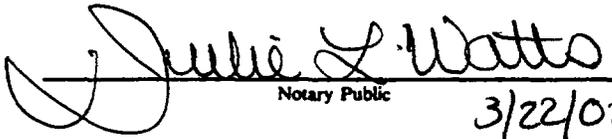
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

**OATH OR AFFIRMATION**

I, JOHN T. ABLAMSKY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of D.C. CAPITAL LLC, as of DECEMBER 31, ~~19~~2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public  
3/22/02

JULIE L. WATTS  
NOTARY PUBLIC, State of New York  
No. 01WA5014288  
Qualified in Nassau County  
Commission Expires July 15, 19- 2003

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).

# FORM X-17A-5

# FOCUS REPORT

OMB No. 3235-0123  
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

## PART II 11

3/90

(Please read instructions before preparing Form.)

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

1) Rule 17a-5(a)  16

2) Rule 17a-5(b)  17

3) Rule 17a-11  18

4) Special request by designated examining authority  19

5) Other  26

NAME OF BROKER-DEALER

D.C. Capital LLC

SEC FILE NO.

8-52369 14

FIRM ID. NO.

103826 15

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

6900 Jericho Turnpike Ste. 208 20

(No. and Street)

Syosset New York 11791 23

21

22

23

(City)

(State)

(Zip Code)

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/01 24

AND ENDING (MM/DD/YY)

12/31/01 25

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

John T. Ablamsky 30

(Area Code)—Telephone No.

516-883-4306 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

38

38

OFFICIAL USE

33

35

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39

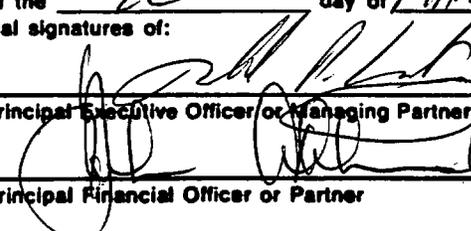
DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41

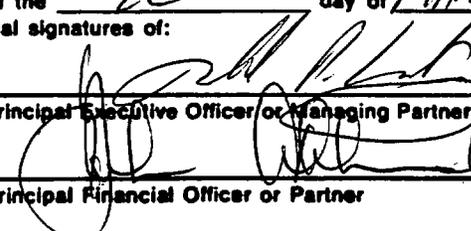
CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

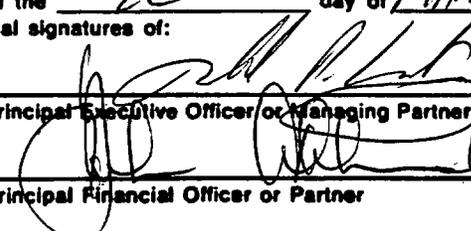
### EXECUTION:

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 22 day of MARCH 18 2002  
Manual signatures of:

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 15 U.S.C. 78:f(a))

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

|   |  |  |  |    |
|---|--|--|--|----|
| INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report |  |  |  |    |
| Name (if individual, state last, first, middle name)                    |  |  |  |    |
| KOSHERS & COMPANY   |  |  |  | 70 |

| ADDRESS | Number and Street   | City    | State | Zip Code |
|---------|---------------------|---------|-------|----------|
|         | 1094 Merrick Avenue | Merrick | NY    | 11566    |
|         | 71                  | 72      | 73    | 74       |

Check One

- (x) Certified Public Accountant 75
- ( ) Public Accountant 76
- ( ) Accountant not resident in United States or any of its possessions 77

**FOR SEC USE**

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

| WORK LOCATION | REPORT DATE<br>MM/DD/YY | DOC. SEQ. NO. | CARD |  |  |  |
|---------------|-------------------------|---------------|------|--|--|--|
| 60            | 61                      | 62 5          | 3    |  |  |  |

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

**BROKER OR DEALER** D.C. CAPITAL, LLC

**N3**

11

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

as of (MM/DD/YY) 12/31/01

SEC FILE NO. 8-52369

**ASSETS**

Consolidated  1  
Unconsolidated  1

Allowable

Non-Allowable

Total

|  |    |         |     |    |        |         |         |
|--|----|---------|-----|----|--------|---------|---------|
| 1. Cash .....  | \$ | 10,162  | 200 |    | \$     | 10,162  | 7       |
| 2. Receivables from brokers or dealers:  |    | 197,767 |     |    |        | 197,767 |         |
| A. Clearance account .....   |    |         | 295 |    |        |         |         |
| B. Other .....   |    |         | 300 | \$ | 550    |         | 8       |
| 3. Receivables from non-customers .....  |    |         | 355 |    | 600    |         | 8       |
| 4. Securities and spot commodities owned, at market value:   |    |         |     |    |        |         |         |
| A. Exempted securities .....   |    |         | 418 |    |        |         |         |
| B. Debt securities .....   |    |         | 419 |    |        |         |         |
| C. Options .....   |    |         | 420 |    |        |         |         |
| D. Other securities .....  |    | 236,884 | 424 |    |        | 236,884 | 8       |
| E. Spot commodities .....  |    |         | 430 |    |        |         |         |
| 5. Securities and/or other investments not readily marketable:   |    |         |     |    |        |         |         |
| A. At cost \$ .....  |    |         | 130 |    |        |         |         |
| B. At estimated fair value .....   |    |         | 440 |    | 610    |         | 8       |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:                             |    |         |     |    |        |         |         |
| A. Exempted securities \$ .....  |    |         | 150 |    |        |         |         |
| B. Other securities \$ .....   |    |         | 160 |    |        |         |         |
| 7. Secured demand notes: .....   |    |         | 470 |    | 640    |         | 8       |
| market value of collateral:  |    |         |     |    |        |         |         |
| A. Exempted securities \$ .....  |    |         | 170 |    |        |         |         |
| B. Other securities \$ .....   |    |         | 180 |    |        |         |         |
| 8. Memberships in exchanges:   |    |         |     |    |        |         |         |
| A. Owned, at market \$ .....   |    |         | 190 |    |        |         |         |
| B. Owned, at cost .....  |    |         |     |    | 650    |         |         |
| C. Contributed for use of the company, at market value .....   |    |         |     |    | 660    |         |         |
| 9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....   |    |         | 480 |    | 670    |         |         |
| 10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization ..... |    |         | 490 |    | 51,691 | 680     | 51,691  |
| 11. Other assets .....   |    |         | 535 |    | 13,300 | 735     | 13,300  |
| 12. <b>TOTAL ASSETS</b> .....  | \$ | 444,813 | 540 | \$ | 64,991 | 740     | 509,804 |

OMIT PER

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

**BROKER OR DEALER**     D.C. CAPITAL LLC

as of 12/31/01

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

**LIABILITIES AND OWNERSHIP EQUITY**

| <u>Liabilities</u>  | <u>A.I.<br/>Liabilities</u>  | <u>Non-A.I.<br/>Liabilities</u> | <u>Total</u>      |
|---|------------------------------|---------------------------------|-------------------|
| 13. Bank loans payable.....   | \$ <u>1045</u>               | \$ <u>1255</u>                  | \$ <u>1</u>       |
| 14. Payable to brokers or dealers:  |                              |                                 |                   |
| A. Clearance account.....   | <u>1114</u>                  | <u>1315</u>                     | <u>1</u>          |
| B. Other.....   | <u>1115</u>                  | <u>1305</u>                     | <u>1</u>          |
| 15. Payable to non-customers.....   | <u>1155</u>                  | <u>1355</u>                     | <u>1</u>          |
| 16. Securities sold not yet purchased,<br>at market value.....                  |                              | 52,135 <u>1360</u>              | 52,135 <u>1</u>   |
| 17. Accounts payable, accrued liabilities,<br>expenses and other.....           | 70,464 <u>1205</u>           | <u>1385</u>                     | 70,464 <u>1</u>   |
| 18. Notes and mortgages payable:  |                              |                                 |                   |
| A. Unsecured.....   | <u>1210</u>                  |                                 | <u>1</u>          |
| B. Secured.....   | <u>1211</u>                  | <u>1390</u>                     | <u>1</u>          |
| 19. Liabilities subordinated to claims<br>of general creditors:                 |                              |                                 |                   |
| A. Cash borrowings:   |                              | <u>1400</u>                     | <u>1</u>          |
| 1. from outsiders \$.....   | <u>970</u>                   |                                 |                   |
| 2. Includes equity subordination (15c3-1 (d))<br>of .... \$.....                | <u>980</u>                   |                                 |                   |
| B. Securities borrowings, at market value:...                                   |                              | <u>1410</u>                     | <u>1</u>          |
| from outsiders \$.....  | <u>990</u>                   |                                 |                   |
| C. Pursuant to secured demand note<br>collateral agreements:.....               |                              | <u>1420</u>                     | <u>1</u>          |
| 1. from outsider: \$.....   | <u>1000</u>                  |                                 |                   |
| 2. Includes equity subordination (15c3-1 (d))<br>of .... \$.....                | <u>1010</u>                  |                                 |                   |
| D. Exchange memberships contributed for<br>use of company, at market value..... |                              | <u>1430</u>                     | <u>1</u>          |
| E. Accounts and other borrowings not<br>qualified for net capital purposes..... | <u>1220</u>                  | <u>1440</u>                     | <u>1</u>          |
| 20. <b>TOTAL LIABILITIES</b> .....  | \$ <u>70,464</u> <u>1230</u> | \$ <u>52,135</u> <u>1450</u>    | \$ <u>122,599</u> |

**Ownership Equity**

|   |                |                   |          |
|---|----------------|-------------------|----------|
| 21. Sole proprietorship.....                            |                | \$ <u>387,204</u> | <u>1</u> |
| 22. Partnership (limited partners).....                 | \$ <u>1020</u> |                   |          |
| 23. Corporation:  |                |                   |          |
| A. Preferred stock.....                                 |                |                   |          |
| B. Common stock.....                                    |                |                   |          |
| C. Additional paid-in capital.....                      |                |                   |          |
| D. Retained earnings.....                               |                |                   |          |
| E. Total.....   |                |                   |          |
| F. Less capital stock in treasury.....                  |                |                   |          |
| 24. <b>TOTAL OWNERSHIP EQUITY</b> .....                 |                | \$ <u>387,204</u> | <u>1</u> |
| 25. <b>TOTAL LIABILITIES AND OWNERSHIP EQUITY</b> ..... |                | \$ <u>509,803</u> | <u>1</u> |

OMIT PER

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

**BROKER OR DEALER** D.C. CAPITAL LLC

as of 12/31/01

**COMPUTATION OF NET CAPITAL**

|   |  |       |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
|---|--|-------|---------|-----|---|---|-------|----|---------|-----|----|---------|-----|----|--------|------|----|-------|------|----|-------|------|----|-------|------|----|--------|-----|----|-----|-----|----|---------|-----|----|-------|------|----|-------|------|----|-------|------|----|-------|------|----|-------|------|----|--------|------|----|--------|------|----|-------|------|----|--------|-----|----|---------|-----|
| <p>1. Total ownership equity from Statement of Financial Condition.....</p> <p>2. Deduct ownership equity not allowable for Net Capital.....</p> <p>3. Total ownership equity qualified for Net Capital.....</p> <p>4. Add:</p> <p style="padding-left: 20px;">A. Liabilities subordinated to claims of general creditors allowable in computation of net capital.....</p> <p style="padding-left: 20px;">B. Other (deductions) or allowable credits (List).....</p> <p>5. Total capital and allowable subordinated liabilities.....</p> <p>6. Deductions and/or charges:</p> <p style="padding-left: 20px;">A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) \$.....</p> <p style="padding-left: 20px;">B. Secured demand note deficiency.....</p> <p style="padding-left: 20px;">C. Commodity futures contracts and spot commodities-<br/>proprietary capital charges.....</p> <p style="padding-left: 20px;">D. Other deductions and/or charges.....</p> <p>7. Other additions and/or allowable credits (List).....</p> <p>8. Net capital before haircuts on securities positions.....</p> <p>9. Haircuts on securities (computed, where applicable,<br/>pursuant to 15c3-1 (f)):</p> <p style="padding-left: 20px;">A. Contractual securities commitments.....</p> <p style="padding-left: 20px;">B. Subordinated securities borrowings.....</p> <p style="padding-left: 20px;">C. Trading and investment securities:</p> <p style="padding-left: 40px;">1. Exempted securities.....</p> <p style="padding-left: 40px;">2. Debt securities.....</p> <p style="padding-left: 40px;">3. Options.....</p> <p style="padding-left: 40px;">4. Other securities.....</p> <p style="padding-left: 20px;">D. Undue Concentration.....</p> <p style="padding-left: 20px;">E. Other (List).....</p> <p>10. Net Capital.....</p> | <table border="0" style="width:100%; border-collapse: collapse;"> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">387,204</td><td style="border-right: 1px solid black;">348</td></tr> <tr><td style="border-right: 1px solid black;">▼</td><td style="border-right: 1px solid black;">(</td><td style="border-right: 1px solid black;">) 349</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">387,204</td><td style="border-right: 1px solid black;">350</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">387,204</td><td style="border-right: 1px solid black;">353</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">64,991</td><td style="border-right: 1px solid black;">3540</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">3,590</td><td style="border-right: 1px solid black;">3590</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">3,600</td><td style="border-right: 1px solid black;">3600</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">3,610</td><td style="border-right: 1px solid black;">3610</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">64,991</td><td style="border-right: 1px solid black;">362</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">363</td><td style="border-right: 1px solid black;">363</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">322,213</td><td style="border-right: 1px solid black;">364</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">3,660</td><td style="border-right: 1px solid black;">3660</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">3,670</td><td style="border-right: 1px solid black;">3670</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">3,735</td><td style="border-right: 1px solid black;">3735</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">3,733</td><td style="border-right: 1px solid black;">3733</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">3,730</td><td style="border-right: 1px solid black;">3730</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">23,645</td><td style="border-right: 1px solid black;">3734</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">12,753</td><td style="border-right: 1px solid black;">3650</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">3,736</td><td style="border-right: 1px solid black;">3736</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">36,398</td><td style="border-right: 1px solid black;">374</td></tr> <tr><td style="border-right: 1px solid black;">\$</td><td style="border-right: 1px solid black;">285,815</td><td style="border-right: 1px solid black;">375</td></tr> </table> | \$    | 387,204 | 348 | ▼ | ( | ) 349 | \$ | 387,204 | 350 | \$ | 387,204 | 353 | \$ | 64,991 | 3540 | \$ | 3,590 | 3590 | \$ | 3,600 | 3600 | \$ | 3,610 | 3610 | \$ | 64,991 | 362 | \$ | 363 | 363 | \$ | 322,213 | 364 | \$ | 3,660 | 3660 | \$ | 3,670 | 3670 | \$ | 3,735 | 3735 | \$ | 3,733 | 3733 | \$ | 3,730 | 3730 | \$ | 23,645 | 3734 | \$ | 12,753 | 3650 | \$ | 3,736 | 3736 | \$ | 36,398 | 374 | \$ | 285,815 | 375 |
| \$  | 387,204  | 348   |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| ▼   | (  | ) 349 |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 387,204  | 350   |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 387,204  | 353   |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 64,991   | 3540  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 3,590  | 3590  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 3,600  | 3600  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 3,610  | 3610  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 64,991   | 362   |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 363  | 363   |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 322,213  | 364   |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 3,660  | 3660  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 3,670  | 3670  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 3,735  | 3735  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 3,733  | 3733  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 3,730  | 3730  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 23,645   | 3734  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 12,753   | 3650  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 3,736  | 3736  |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 36,398   | 374   |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |
| \$  | 285,815  | 375   |         |     |   |   |       |    |         |     |    |         |     |    |        |      |    |       |      |    |       |      |    |       |      |    |        |     |    |     |     |    |         |     |    |       |      |    |       |      |    |       |      |    |       |      |    |       |      |    |        |      |    |        |      |    |       |      |    |        |     |    |         |     |

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

**BROKER OR DEALER** D.C. CAPITAL LLC

as of 12/31/01

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

|   |    |         |   |
|---|----|---------|---|
| 11. Minimum net capital required (6-2/3% of line 19) .....  | \$ | 4,698   | 3 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) ..... | \$ | 100,000 | 3 |
| 13. Net capital requirement (greater of line 11 or 12) .....  | \$ | 100,000 | 3 |
| 14. Excess net capital (line 10 less 13) .....  | \$ | 185,815 | 3 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) .....   | \$ | 278,768 | 3 |

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

|  |    |        |   |
|--|----|--------|---|
| 16. Total A.I. liabilities from Statement of Financial Condition .....                         | \$ | 70,464 | 3 |
| 17. Add:   |    |        |   |
| A. Drafts for immediate credit .....   | \$ | 3800   |   |
| B. Market value of securities borrowed for which no equivalent value is paid or credited ..... | \$ | 3810   |   |
| C. Other unrecorded amounts (List) .....   | \$ | 3820   |   |
| 19. Total aggregate indebtedness .....   | \$ | 70,464 | 3 |
| 20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) .....           | %  | 24.65  | 3 |
| 21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) .....  | %  | 24.65  | 3 |

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part B**

|  |    |     |   |
|--|----|-----|---|
| 22. 2% of combined aggregate debit 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' debits ..... | \$ | N/A | 3 |
| 23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....  | \$ |     | 3 |
| 24. Net capital requirement (greater of line 22 or 23) .....   | \$ |     | 3 |
| 25. Excess net capital (line 10 less 24) .....   | \$ |     | 3 |
| 26. Net capital in excess of:  |    |     |   |
| 5% of combined aggregate debit items or \$120,000 .....  | \$ |     | 3 |

OMIT PEN

**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. 6-2/3% of aggregate indebtedness or 2% of aggregate debits 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.

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

**BROKER OR DEALER**     D.C. CAPITAL LLC

For the period (MMDDYY) from 12/01/01 to 12/31/01     3932 to 3932  
 Number of months included in this statement     Twelve

**STATEMENT OF INCOME (LOSS)**

**REVENUE**

|   |    |                  |   |
|---|----|------------------|---|
| 1. Commissions:   |    |                  |   |
| a. Commissions on transactions in exchange listed equity securities executed on an exchange ..... | \$ | 9,525            | 3 |
| b. Commissions on listed option transactions .....  | \$ | 5,770            | 3 |
| c. All other securities commissions .....   |    | 557,448          | 3 |
| d. Total securities commissions .....   |    | <u>572,743</u>   | 3 |
| 2. Gains or losses on firm securities trading accounts  |    |                  |   |
| a. From market making in options on a national securities exchange .....                          |    |                  | 3 |
| b. From all other trading .....   |    | (122,469)        | 3 |
| c. Total gain (loss) .....  |    | <u>(122,469)</u> | 3 |
| 3. Gains or losses on firm securities investment accounts .....                                   |    |                  | 3 |
| 4. Profit (loss) from underwriting and selling groups .....                                       | \$ |                  | 3 |
| 5. Revenue from sale of investment company shares .....   |    |                  | 3 |
| 6. Commodities revenue .....  |    |                  | 3 |
| 7. Fees for account supervision, investment advisory and administrative services .....            |    | 32,067           | 3 |
| 8. Other revenue .....  |    | 106,049          | 3 |
| 9. Total revenue .....  | \$ | <u>588,390</u>   | 4 |

**EXPENSES**

|  |    |                |   |
|--|----|----------------|---|
| 10. Salaries and other employment costs for general partners and voting stockholder officers ..... | \$ |                | 4 |
| 11. Other employee compensation and benefits .....   | \$ | 432,003        | 4 |
| 12. Commissions paid to other broker-dealers .....   |    |                | 4 |
| 13. Interest expense .....   |    | 726            | 4 |
| a. Includes interest on accounts subject to subordination agreements .....                         |    | 4070           |   |
| 14. Regulatory fees and expenses .....   |    | 39,213         | 4 |
| 15. Other expenses .....   |    | 426,461        | 4 |
| 16. Total expenses .....   | \$ | <u>898,401</u> | 4 |

**NET INCOME**

|   |    |                  |   |
|---|----|------------------|---|
| 17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16) ..... | \$ | (310,011)        | 4 |
| 18. Provision for Federal income taxes (for parent only) .....                                | \$ |                  | 4 |
| 19. Equity in earnings (losses) of unconsolidated subsidiaries not included above .....       |    |                  | 4 |
| a. After Federal income taxes of .....  |    | 4238             |   |
| 20. Extraordinary gains (losses) .....  |    |                  | 4 |
| a. After Federal income taxes of .....  |    | 4239             |   |
| 21. Cumulative effect of changes in accounting principles .....                               |    |                  | 4 |
| 22. Net income (loss) after Federal income taxes and extraordinary items .....                | \$ | <u>(310,011)</u> | 4 |

**MONTHLY INCOME**

|   |    |        |   |
|---|----|--------|---|
| 23. Income (current month only) before provision for Federal income taxes and extraordinary items ..... | \$ | 51,240 | 4 |
|---|----|--------|---|

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

**BROKER OR DEALER**     D.C. CAPITAL LLC

For the period (MMDDYY) from 01/01/01 to 12/31/01

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

|   |   |    |           |   |
|---|---|----|-----------|---|
| 1. Balance, beginning of period.....                    |   | \$ | 447,574   | ¢ |
| A. Net income (loss).....                               |   |    | (310,011) | ¢ |
| B. Additions (Includes non-conforming capital of.....)  | Y | \$ | 4262      | ¢ |
| C. Deductions (Includes non-conforming capital of.....) | H | \$ | 4272      | ¢ |
| 2. Balance, end of period (From item 1800).....         |   | \$ | 387,204   | ¢ |

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

|   |   |    |            |   |
|---|---|----|------------|---|
| 3. Balance, beginning of period.....            | Y | \$ | NOT        | ¢ |
| A. Increases.....                               |   |    | APPLICABLE | ¢ |
| B. Decreases.....                               |   |    |            | ¢ |
| 4. Balance, end of period (From item 3520)..... |   | \$ |            | ¢ |

OMIT PEN

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

**BROKER OR DEALER** D, C, CAPITAL LLC as of 12/31/01

**Exemptive Provision Under Rule 15c3-3**

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 ..... 455C
- B. (k) (2)(A)—“Special Account for the Exclusive Benefit of customers” maintained ..... 456C
- C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm 8-44205 FISERV CORRESPONDENT SERVICES 4335 XX 4570
- D. (k) (3)—Exempted by order of the Commission ..... 4580

**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.**

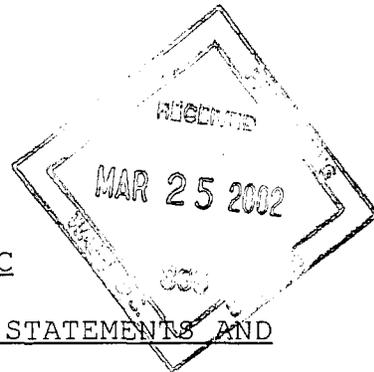
| Type of Proposed withdrawal or Accrual<br>See below for code to enter | Name of Lender or Contributor | Insider or Outsider?<br>(In or Out) | Amount to be With-<br>drawn (cash amount<br>and/or Net Capital<br>Value of Securities) | (MMDDYY)<br>Withdrawal or<br>Maturity<br>Date | Expect<br>to<br>Renew<br>(yes or no) |
|---|-------------------------------|-------------------------------------|--|---|--------------------------------------|
| Y 21 4600   | 4601                          | 4602                                | 4603   | 4604  | 4605                                 |
| Y 21 4610   | 4611                          | 4612                                | 4613   | 4614  | 4615                                 |
| Y 21 4620   | 4621                          | 4622                                | 4623   | 4624  | 4625                                 |
| Y 21 4630   | 4631                          | 4632                                | 4633   | 4634  | 4635                                 |
| Y 21 4640   | 4641                          | 4642                                | 4643   | 4644  | 4645                                 |
| Y 21 4650   | 4651                          | 4652                                | 4653   | 4654  | 4655                                 |
| Y 21 4660   | 4661                          | 4662                                | 4663   | 4664  | 4665                                 |
| Y 21 4670   | 4671                          | 4672                                | 4673   | 4674  | 4675                                 |
| Y 21 4680   | 4681                          | 4682                                | 4683   | 4684  | 4685                                 |
| Y 21 4690   | 4691                          | 4692                                | 4693   | 4694  | 4695                                 |

TOTAL \$ 4699

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 payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

- WITHDRAWAL CODE: DESCRIPTION**
- 1. Equity Capital
  - 2. Subordinated Liabilities
  - 3. Accruals
  - 4. 15c3-1(c)(2)(iv) Liabilities



D.C. CAPITAL LLC

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND

ADDITIONAL INFORMATION

DECEMBER 31, 2001

# KOSHERS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

STEPHEN KOSHERS, C.P.A.  
MITCHELL H. KOSHERS, C.P.A.

JOSEPH CIPOLLONE, C.P.A.  
BRYAN KOSHERS, C.P.A.

## AUDITOR'S REPORT

To The Partners  
D.C. Capital LLC  
6900 Jericho Tpke - Suite 208  
Syosset, New York 11791

We have audited the accompanying statement of financial condition of D.C. Capital LLC as of December 31, 2001 and the related statements of operations, stockholders' equity and cash flows for the year then ended. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement referred to above present fairly, in all material respects, the financial position of D.C. Capital LLC as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respect in relating to the basic financial statements taken as a whole in conformity with the rules of the Securities and Exchange Commission.

*Kosher's & Company*

March 5, 2002  
Merrick, New York

Exhibit A

D.C. CAPITAL LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

ASSETS

CURRENT ASSETS

|                                |           |
|--------------------------------|-----------|
| Cash and Cash Equivalents      | \$ 10,162 |
| Receivables from Clearing Firm | 197,767   |
| Securities Net                 | 184,749   |

|                      |         |
|----------------------|---------|
| Total Current Assets | 392,678 |
|----------------------|---------|

|  |        |
|--|--------|
| FIXED ASSETS-Net Of Accumulated Depreciation<br>Of \$3,681 | 20,524 |
|--|--------|

OTHER ASSETS

|                       |        |
|-----------------------|--------|
| Organization Expenses | 31,167 |
| Security Deposits     | 11,800 |
| Other Assets          | 1,500  |

|              |            |
|--------------|------------|
| TOTAL ASSETS | \$ 457,669 |
|              | =====      |

The Accompanying Notes Are An Integral Part  
Of This Financial Statement.

Exhibit A-1

D.C. CAPITAL LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

LIABILITIES & STOCKHOLDERS' EQUITY

|                               |            |
|-------------------------------|------------|
| CURRENT LIABILITIES           |            |
| Accrued Expenses              | \$ 70,464  |
|                               | -----      |
| Total Current Liabilities     | 70,464     |
|                               | -----      |
| EQUITY                        |            |
| Partnership Equity            | 387,205    |
|                               | -----      |
| Total Equity                  | 387,205    |
|                               | -----      |
| TOTAL LIABILITIES &<br>EQUITY | \$ 457,669 |
|                               | =====      |

The Accompanying Notes Are An Integral Part  
Of This Financial Statement.

Exhibit B

D.C. CAPITAL LLC  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2001

|                                  |             |
|----------------------------------|-------------|
| REVENUES                         |             |
| Commission Income                | \$ 572,743  |
| Trading Gains/(Losses)           | 7,055       |
| Interest and Dividend Income     | (122,469)   |
| Other Income                     | 131,061     |
|                                  | -----       |
| Total Revenues                   | 588,390     |
|                                  | =====       |
| EXPENSES                         |             |
| Trading Expenses                 | 271,649     |
| Employee Compensation - Benefits | 408,718     |
| Regulatory Fees                  | 38,199      |
| Communications                   | 28,386      |
| Other Operating Expenses         | 151,449     |
|                                  | -----       |
| Total Expenses                   | 898,401     |
|                                  | -----       |
| NET INCOME/(LOSS)                | \$(310,011) |
|                                  | =====       |

The Accompanying Notes Are An Integral Part  
Of This Financial Statement.

Exhibit C

D.C. CAPITAL LLC  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001

|                   | Total      |
|-------------------|------------|
|                   | -----      |
| Balances -        |            |
| January 1, 2001   | \$ 447,574 |
| Additions         | 250,000    |
| Other Deductions  | (359)      |
| Net/(Loss)        | (310,011)  |
|                   | -----      |
| Balances -        |            |
| DECEMBER 31, 2001 | \$ 387,204 |
|                   | =====      |

The Accompanying Notes Are An Integral Part  
Of This Financial Statement.

Exhibit D

D.C. CAPITAL LLC  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

|   |             |
|---|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |             |
| Net Income(Loss)  | \$(310,011) |
|   | -----       |
| Adjustments to Reconcile Net Income<br>to Net Cash Used in Operating<br>Activities: |             |
| Depreciation and Amortization   | 13,808      |
| (INCREASE)/DECREASE IN  |             |
| Receivables from Clearing Firm  | 29,592      |
| Other Assets  | (1,500)     |
| Marketable Securities   | (184,749)   |
| Accrued Expenses  | 70,464      |
|   | -----       |
| Total Adjustments   | (72,385)    |
|   | -----       |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | (382,396)   |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |             |
| Equity Contributions  | 249,641     |
|   | -----       |
| NET INCREASE IN CASH AND CASH<br>EQUIVALENTS  | (132,755)   |
| CASH AT BEGINNING OF YEAR   | 142,917     |
|   | -----       |
| CASH AND CASH EQUIVALENTS AT<br>END OF YEAR   | \$ 10,162   |
|   | =====       |

The Accompanying Notes Are An Integral Part  
 Of This Financial Statement.

D.C. CAPITAL LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

NOTE 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

D.C. CAPITAL LLC (the "Company") was formed in January 1, 2001, in the state of New York.

The firm entered into a fully disclosed clearing arrangement with Fiserv Correspondent Services Corp.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Securities transactions are recorded on a settlement date basis with related commission income and expenses also recorded on a settlement date basis.

Securities owned and to be purchased are valued at market value. The resulting differences between cost and market is included in income.

Fixed Assets are capitalized at cost. Depreciation of fixed assets is computed on the straight line method over the useful lives of seven years.

Cash and cash equivalents includes certificates of deposit with maturities of three months or less.

NOTE 2 - EXEMPTION FROM RULE 15C-3

For Securities and Exchange Commission reporting purposes, computations for the determination of the reserve requirements and information relating to the possession of control requirements under Rule 15C3-3 are not included since the Company carries no customers' accounts.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both the maintenance of minimum net capital and the maintenance of a maximum ratio of aggregate indebtedness to net capital. Net capital and aggregate indebtedness change day to day, and at

December 31, 2001, the Company's net capital of \$185,816 exceeded the minimum net capital requirement by \$ 85,810; and the Company's ratio of aggregate indebtedness \$79,464 to net capital was 24.65%.

# KOSHERS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

STEPHEN KOSHERS, C.P.A.  
MITCHELL H. KOSHERS, C.P.A.

JOSEPH CIPOLLONE, C.P.A.  
BRYAN KOSHERS, C.P.A.

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

### REQUIRED BY SEC RULE 17a-5

To the Partners  
D.C. CAPITAL LLC  
Syosset, New York

We have audited the financial statement of D.C. CAPITAL LLC for the year ended December 31, 2001 and have issued our report thereon dated March 5, 2002. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I on the following page 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. 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.

*Kosher & Company*

March 5, 2002  
Merrick, New York

## Schedule I

D.C. CAPITAL LLC  
 COMPUTATION OF NET CAPITAL REQUIREMENTS  
 PURSUANT TO RULE 15c3-1  
 DECEMBER 31, 2001

|   |    |          |
|---|----|----------|
| COMPUTATION OF NET CAPITAL                          |    |          |
| Total Assets  | \$ | 457,669  |
| Less: Total Liabilities                             |    | (70,464) |
|   |    | -----    |
| NET WORTH   |    | 387,205  |
| LESS: NON ALLOWABLE ASSETS                          |    |          |
| Organization Expenses & Other                       |    | 64,991   |
|   |    | -----    |
| TENTATIVE NET CAPITAL                               |    | 322,214  |
| HAIRCUTS  |    | (36,398) |
|   |    | -----    |
| NET CAPITAL   | \$ | 285,816  |
|   |    | =====    |
| COMPUTATION OF NET CAPITAL REQUIREMENTS             |    |          |
| 15% of Aggregate Indebtedness                       | \$ | 4,698    |
| Minimum Net Capital Requirements                    |    |          |
| Minimum Dollar Net Capital Required                 |    | 100,000  |
|   |    | -----    |
| Net Capital Required, Greater of Above              |    | 100,000  |
|   |    | -----    |
| EXCESS NET CAPITAL                                  | \$ | 185,816  |
|   |    | =====    |
| PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL |    | 24.65%   |
|   |    | =====    |

NOTE: There were no material differences between the computation of net capital calculated above and the Company's computation included in Part IIA of form X 17a-5 as of December 31, 2001.

See Auditor's Report on Supplementary Information.

SCHEDULE II

D.C. CAPITAL LLC  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
PURSUANT TO RULE 15c3-3  
DECEMBER 31, 2001

A computation of reserve requirement is not applicable to D.C. CAPITAL LLC as the Company qualifies for exemption under Rule 15c3-3(k)(2).

See Independent Auditor's Report.

SCHEDULE III

D.C. CAPITAL LLC  
INFORMATION RELATING TO POSSESSION  
OR CONTROL REQUIREMENTS UNDER RULE 15c3-3  
DECEMBER 31, 2001

Information relating to possession or control requirements is not applicable to D.C. CAPITAL LLC as the Company qualifies for exemption under Rule 15c3-3 (k) (2).

See Independent Auditor's Report.

# KOSHERS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

STEPHEN KOSHERS, C.P.A.  
MITCHELL H. KOSHERS, C.P.A.

JOSEPH CIPOLLONE, C.P.A.  
BRYAN KOSHERS, C.P.A.

To the Partners  
D.C. CAPITAL LLC

In planning and performing our audit of the financial statements of D.C. CAPITAL LLC for the year ended December 31, 2001, we considered its internal control structure, for the purpose 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 D.C. CAPITAL LLC that we considered relevant to 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(a)(11) and the reserve required by Rule 15c3-3(e). We did not review the practices and procedures followed by the Company (I) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13, or (ii) in complying with the requirements for prompt payment for securities of 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 internal control structure and the practice and procedures referred to in the preceding paragraph in fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and the practices and procedures referred to in the proceeding 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 safeguard 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 17-5 (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 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 that might be material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which 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 considered to be material weakness as defined above, except for:

The size of the business and resultant limited number of employees imposes practical limitations on the effectiveness of those internal control structure procedures that depend on the segregation of duties. Since this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

The foregoing condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of D.C. CAPITAL LLC for the year ended December 31, 2001 and this report does not affect our report thereon dated March 5, 2002.

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 except for the effect, if any, of the condition indicated in the preceding paragraph, 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 and the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker/dealers and should not be used for any other purpose.

*Koshers & Company*

March 5, 2002  
Merrick, New York