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



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

RECEIVED  
MAR 01 2002  
354  
WASH. DC SECTION

SEC FILE NUMBER  
8- 9809

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

REPORT FOR THE PERIOD BEGINNING 01/01/2001 AND ENDING 12/31/2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

GEORGE E DULLNIG & CO

OFFICIAL USE ONLY  
FIRM ID. NO.

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

115 E TRAVIS STREET, SUITE 11

(No. and Street)

SAN ANTONIO

TEXAS

78205

(City)

(State)

(Zip Code)

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

Richard R. Dullnig

(210) 225-6806

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

COHEN, BERG & CO. P.C.

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

130 E TRAVIS STREET, SUITE 400

SAN ANTONIO

TEXAS

78205

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**

APR 01 2002

FOR OFFICIAL USE ONLY  
THOMSON FINANCIAL

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

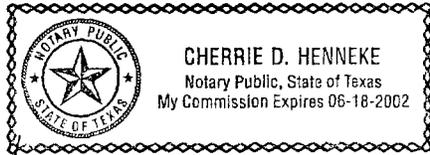
SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, George R. Dullnig, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GEORGE E DULLNIG & CO, 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:

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



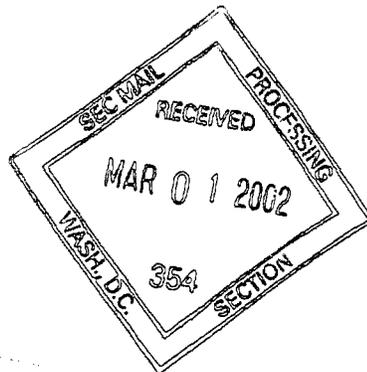
*George R. Dullnig*  
Signature  
President  
Title

*Cherrie D. Henneke*  
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).



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*AUDIT REPORT OF  
GEORGE E. DULLNIG & CO.  
AS OF  
DECEMBER 31, 2001 AND 2000*

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## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
BALANCE SHEET	2
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY	3
STATEMENT OF INCOME	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 7
SCHEDULE OF OPERATING EXPENSES	8

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Certified Public Accountants

Stanley Cohen, CPA  
Leonard Retzlloff, CPA

Harold M. Berg, CPA  
Fernando J. Rocha, CPA

Board of Directors  
George E. Dullnig & Co.  
San Antonio, Texas

INDEPENDENT AUDITORS' REPORT

*We have audited the accompanying balance sheet of George E. Dullnig & Co. (a Texas Corporation) as of December 31, 2001 and 2000, and the related statements of income, changes in stockholders' equity, cash flows, and schedule of operating expenses for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.*

*We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.*

*In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of George E. Dullnig & Co. as of December 31, 2001 and 2000, 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.*

Cohen, Berg & Co., P.C.  
Certified Public Accountants

January 30, 2002  
San Antonio, Texas

GEORGE E. DULLNIG & CO.

BALANCE SHEET

AS OF DECEMBER 31, 2001 AND 2000

ASSETS

	<u>2001</u>	<u>2000</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 9,366	\$ 36,970
Sales Commission Receivable	16,177	22,026
Order Flow Receivable	0	820
Accounts Receivable - Other	2,500	3,000
Prepaid Expenses	1,438	1,779
Inventory - Trading Securities	108,882	114,609
Investment Securities	212,698	203,754
	<hr/>	<hr/>
total current assets	\$ 351,061	\$ 382,958
 <u>PROPERTY AND EQUIPMENT</u>		
Furniture and Equipment	\$ 34,636	\$ 34,636
Less: Accumulated Depreciation	22,685	18,027
	<hr/>	<hr/>
net property and equipment	11,951	16,609
 <u>OTHER ASSETS</u>		
Stock Exchange Membership	\$ 29,000	\$ 11,000
Escrow Deposit	50,000	50,000
Deferred Tax Asset	6,620	3,700
	<hr/>	<hr/>
total other assets	85,620	64,700
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 448,632</b>	<b>\$ 464,267</b>

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2001</u>	<u>2000</u>
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 15,000	\$ 3,504
Accounts Payable - Firm Trading	0	660
Accrued Expenses	0	17
	<hr/>	<hr/>
total current liabilities	\$ 15,000	\$ 4,181
 <u>OTHER LIABILITIES</u>		
Deferred Income Tax	\$ 23,000	\$ 22,000
 <u>STOCKHOLDERS' EQUITY</u>		
Common Stock: \$1 Par Value, 1,000,000 shares authorized, 69,000 shares outstanding	\$ 69,000	\$ 69,000
Preferred Stock	500	500
Paid in Capital	835	835
Retained Earnings	207,485	242,883
Unrealized Gain on Securities	132,812	124,868
	<hr/>	<hr/>
total stockholders' equity	410,632	438,086
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 448,632</b>	<b>\$ 464,267</b>

*"The accompanying notes are an integral part of these Financial Statements."*

GEORGE E. DULLNIG & CO.

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>COMMON STOCK</u>	<u>PREFERRED STOCK</u>	<u>PAID IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>ACCUMULATED OTHER COMPREHENSIVE INCOME</u>	<u>TOTAL</u>
BALANCE JANUARY 1, 2000	\$ 69,000	\$ 500	\$ 835	\$ 285,101	\$ 206,389	\$ 561,825
NET INCOME				(23,368)		(23,368)
UNREALIZED GAINS ON INVESTMENT SECURITIES - (NET OF DEFERRED TAXES OF \$14,400)					(81,521)	(81,521)
DIVIDENDS PAID				(18,850)		(18,850)
BALANCE DECEMBER 31, 2000	\$ 69,000	\$ 500	\$ 835	\$ 242,883	\$ 124,868	\$ 438,086
NET LOSS				(16,548)		(16,548)
UNREALIZED GAINS ON INVESTMENT SECURITIES - (NET OF DEFERRED TAXES OF \$1,000)					7,944	7,944
DIVIDENDS PAID				(18,850)		(18,850)
BALANCE DECEMBER 31, 2001	<u>\$ 69,000</u>	<u>\$ 500</u>	<u>\$ 835</u>	<u>\$ 207,485</u>	<u>\$ 132,812</u>	<u>\$ 410,632</u>

*"The accompanying notes are an integral part of these Financial Statements."*

GEORGE E. DULLNIG & CO.

STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	%	2000	%
		Income		Income
<b><u>INCOME</u></b>				
Commissions - OTC Agency	\$ 88,541	23.8	\$ 300,008	50.4
Commissions - OTC 3rd Market	214,676	57.8	221,968	37.3
Commissions - Listed Securities	735	0.2	5,779	1.0
Commissions - Listed Options	4,995	1.3	2,827	0.5
Municipal Bond Income	0	0.0	850	0.1
Mutual Fund Income	1,711	0.5	2,346	0.4
Overflow Income	1,564	0.4	7,980	1.3
Gain from Sale of Trading Securities	6,701	1.8	252,201	42.4
Unrealized Loss on Trading Securities	(3,399)	(0.9)	(246,049)	(41.3)
Miscellaneous Income	28,760	7.7	18,765	3.2
Dividend Income	3,226	0.9	3,222	0.5
Interest Income	24,134	6.5	25,261	4.2
total income	\$ 371,644	100.0	\$ 595,158	100.0
<b>OPERATING EXPENSES</b>	391,447	105.5	623,626	104.8
<b>LOSS FROM OPERATIONS</b>	\$ (19,803)	(5.5)	\$ (28,468)	(4.8)
<b><u>OTHER INCOME</u></b>				
Bad Debt Recovery	\$ 335	0.1	\$ 1,000	0.2
<b>LOSS BEFORE INCOME TAXES</b>	\$ (19,468)	(5.4)	\$ (27,468)	(4.6)
<b>INCOME TAX BENEFIT</b>	2,920	0.8	4,100	0.7
<b>NET LOSS</b>	\$ (16,548)	<u>(4.6)</u>	\$ (23,368)	<u>(3.9)</u>
<b><u>OTHER COMPREHENSIVE</u></b>				
<b><u>INCOME/(LOSSES)</u></b>				
Unrealized Gains/(Losses) on Available for Sale Securities	7,944		(81,521)	
<b>TOTAL COMPREHENSIVE LOSS</b>	\$ (8,604)		\$ (104,889)	

"The accompanying notes are an integral part of these Financial Statements."

**SUPPLEMENTAL DISCLOSURES:**

- ... No income taxes were paid in the years presented.
- ... No interest expense was paid during the years presented.

**NONCASH DISCLOSURES:**

- ... Deferred taxes on the unrealized gains on investment securities increased by \$1,000 and decreased by \$14,400 for the years ended December 31, 2001 and 2000, respectively.

*"The accompanying notes are an integral part of these Financial Statements."*

GEORGE E. DULLNIG & CO.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net Loss	\$ (16,548)	\$ (23,368)
Adjustments to Reconcile Net Loss to Net Cash from Operating Activities:		
Depreciation	4,659	3,764
(Increase) Decrease in Assets:		
Change in Receivables	7,169	(3,908)
Change in Prepaid Expenses	341	368
Change in Inventory	5,733	91,613
Change in Deferred Tax Asset	(2,920)	(1,900)
Increase (Decrease) in Liabilities:		
Change in Accounts Payable	10,829	(6,759)
Change in Accrued Expenses	(17)	(8)
Change in Deferred Income Tax	0	(2,200)
net cash flows from operating activities	\$ 9,246	\$ 57,602
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
Investment in Stock Exchange	\$ (18,000)	\$ (10,500)
Capital Expenditures	0	(3,524)
Purchase of Investment Securities	0	(2,928)
net cash flows from investing activities	(18,000)	(16,952)
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
Dividends Paid	\$ (18,850)	\$ (18,850)
<b>NET CHANGE IN CASH</b>	<b>\$ (27,604)</b>	<b>\$ 21,800</b>
<b>CASH BALANCE - BEGINNING OF THE YEAR</b>	<b>36,970</b>	<b>15,170</b>
<b>CASH BALANCE - END OF YEAR</b>	<b><u>\$ 9,366</u></b>	<b><u>\$ 36,970</u></b>

GEORGE E. DULLNIG & CO.

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2001 AND 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Company is a broker-dealer registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers (NASD).

B. Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates.

C. Marketable Securities

Marketable securities are carried at fair market value which is in compliance with the S.E.C.'s regulations in reporting marketable securities.

Marketable securities at December 31, are summarized as follows:

	<u>2001</u>	<u>2000</u>
<u>Trading Securities</u>		
Market Value	\$ 108,882	\$ 114,609
Cost	219,789	222,117
Unrealized Loss	<u>\$ (110,907)</u>	<u>\$ (107,508)</u>
 <u>Investment Securities</u>		
Market Value	\$ 212,698	\$ 203,760
Cost	56,886	56,892
Unrealized Gain	<u>\$ 155,812</u>	<u>\$ 146,868</u>
Less: Deferred taxes on unrealized gains on investment securities	<u>(23,000)</u>	<u>(22,000)</u>
Net Unrealized Gain on Investment Securities	<u>\$ 132,812</u>	<u>\$ 124,868</u>



*GEORGE E. DULLNIG & CO.*

*NOTES TO THE FINANCIAL STATEMENTS*

*AS OF DECEMBER 31, 2001 AND 2000*

*NOTE 2 - NET CAPITAL REQUIREMENTS*

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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. At December 31, 2001 and 2000, the Company had net capital of \$301,293 and \$351,388, which is \$201,293 and \$251,388 in excess of its required net capital of \$100,000. The company's percentage of aggregate indebtedness to net capital was 5% and 1% for the years ended December 31, 2001 and 2000.

*NOTE 3 - OTHER DISCLOSURES*

The most recent annual report of George E. Dullnig & Co., pursuant to Rule 17A-5 is available for examination at our office as well as the regional office of the Securities and Exchange Commission, Ft. Worth, Texas.

GEORGE E. DULLNIG & CO.

SCHEDULE OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>% Income</u>	<u>2000</u>	<u>% Income</u>
<b><u>OPERATING EXPENSES</u></b>				
Advertising	\$ 3,980	1.1	\$ 3,785	0.6
Bad Debt	0	0.0	158	0.0
Bank Charges	10	0.0	10	0.0
Brokerage and Clearance Fees	34,884	9.4	45,416	7.6
Commissions	165,418	44.5	269,420	45.3
Depreciation	4,659	1.3	3,764	0.6
Dues, Fees and Assessments	2,546	0.7	2,570	0.4
Entertainment	3,621	1.0	3,869	0.7
Insurance	25,739	6.9	22,468	3.8
Internet	3,637	1.0	2,324	0.4
Office	13,548	3.6	19,442	3.3
Parking	4,880	1.3	5,200	0.9
Postage	1,856	0.5	2,642	0.4
Professional Services	3,386	0.9	7,060	1.2
Rent	19,525	5.3	19,678	3.3
Repairs and Maintenance	125	0.0	894	0.2
Salaries - Officer	0	0.0	100,000	16.8
Salaries - Other	48,607	13.1	54,941	9.2
Stock Transfer Fees	0	0.0	70	0.0
Subscriptions	2,136	0.6	2,295	0.4
Taxes - Payroll	15,455	4.2	21,585	3.6
Taxes - State/Local	1,493	0.4	1,268	0.2
Telephone	4,906	1.3	6,280	1.1
Travel	0	0.0	1,035	0.2
Wire Service	31,036	8.4	27,452	4.6
<b><u>TOTAL OPERATING EXPENSES</u></b>	<u>\$ 391,447</u>	<u>105.5</u>	<u>\$ 623,626</u>	<u>104.8</u>

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

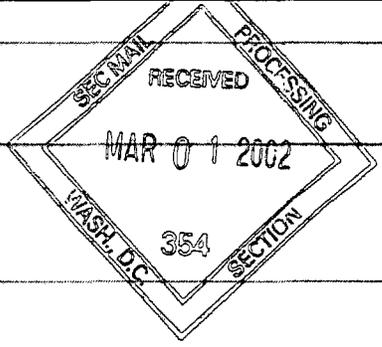
## Schedule I

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

**FORM  
X-17A-5**

Report for period beginning 01/01/2001 and ending 12/31/2001  
[8005] [8006]

SEC File Number: 9809  
[8011]  
Firm ID: 1690



1. Name of Broker Dealer: GEORGE E. DULLNIG & CO.  
[8020]

2. Name(s) of broker-dealer(s) merging with respondent during reporting period:

Name: _____	Phone: _____
[8053]	[8057]
Name: _____	Phone: _____
[8054]	[8058]
Name: _____	Phone: _____
[8055]	[8059]
Name: _____	Phone: _____
[8056]	[8060]

3. Respondent conducts a securities business exclusively with registered broker-dealers: Yes  No  [8073]

4. Respondent is registered as a specialist on a national securities exchange: Yes  No  [8074]

5. Respondent makes markets in the following securities:

(a) equity securities	Yes <input type="radio"/>	No <input checked="" type="radio"/>	[8075]
(b) municipals	Yes <input type="radio"/>	No <input checked="" type="radio"/>	[8076]
(c) other debt instruments	Yes <input type="radio"/>	No <input checked="" type="radio"/>	[8077]

6. Respondent is registered solely as a municipal bond dealer: Yes  No  [8078]

7. Respondent is an insurance company or an affiliate of an insurance company: Yes  No  [8079]

8. Respondent carries its own public accounts: Yes  No  [8084]

9. Respondent's total number of public customer accounts:

(carrying firms filing X-17A-5 Part II only)

- (a) Public customer accounts [8080]
- (b) Omnibus accounts [8081]

10. Respondent clears its public customer and/or proprietary accounts: Yes  No  [8085]

11. Respondent clears its public customer accounts in the following manner:
- (a) Direct Mail (New York Stock Exchange Members Only)  [8086]
- (b) Self Clearing  [8087]
- (c) Omnibus  [8088]
- (d) Introducing  [8089]
- (e) Other  [8090]
- (f) Not Applicable  [8091]

12. Respondent maintains membership(s) on national securities exchange(s): Yes  No  [8100]
- (b) Names of national securities exchange(s) in which respondent maintains memberships:
- (1) American  [8120]
- (2) Boston  [8121]
- (3) CBOE  [8122]
- (4) Midwest  [8123]
- (5) New York  [8124]
- (6) Philadelphia  [8125]
- (7) Pacific Coast  [8126]
- (8) Other  [8129]

13. Employees:
- (a) Number of full-time employees 6 [8101]
- (b) Number of full-time employees registered representatives employed by respondent included in 13(a) 5 [8102]

14. Number of NASDAQ stocks respondent makes market 0 [8103]

15. Total number of underwriting syndicates respondent was a member 0 [8104]

16. Number of respondent's public customer transactions:
- Actual  Estimate
- (a) equity securities transactions effected on a national securities exchange                      [8107]
- (b) equity securities transactions effected other than on a national securities exchange                      [8108]
- (c) commodity, bond, option, and other transactions effected on or off a national securities exchange                      [8109]

17. Respondent is a member of the Securities Investor Protection Corporation Yes  No  [8111]
- 
18. Number of branch offices operated by respondent \_\_\_\_\_ [8112]
- 
19. (a) Respondent directly or indirectly controls, is controlled by, or is under common control with a U.S. bank Yes  No  [8130]
- (b) Name of parent or affiliate \_\_\_\_\_ [8131]
- (c) Type of institution \_\_\_\_\_ [8132]
- 
20. Respondent is an affiliate or subsidiary of a foreign broker-dealer or bank Yes  No  [8113]
- 
21. (a) Respondent is a subsidiary of a registered broker-dealer Yes  No  [8114]
- (b) Name of parent \_\_\_\_\_ [8116]
- 
22. Respondent is a subsidiary of a parent which is not a registered broker or dealer Yes  No  [8115]
- 
23. Respondent sends quarterly statements to customers pursuant to Rule 10b-10(b) in lieu of daily or immediate confirmations: Yes  No  [8117]

\* Required in any Schedule I filed for the calendar year 1978 and succeeding years.

24. Aggregate Dollar Amount of Non-Exempted OTC Sales of Exchange-Listed Securities Done by Respondent During the Reporting Period \_\_\_\_\_ [8118]

N.A.S.D. Miscellaneous Information

Annual Municipal Income \_\_\_\_\_ [8151]