



02022319 STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
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hours per response . . . 12.00

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

SEC MAIL RECEIVED  
JUL 03 2002  
WASH. D.C. 155  
SECTION

SEC FILE NUMBER  
8-16538

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 5/01/01 AND ENDING 4/30/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

WADSWORTH INVESTMENT CO., INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

879 CHURCH STREET

(No. and Street)

WALLINGFORD, CT 06492

(City)

(State)

(Zip Code)

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

DALE R. ALDIERI

(203)269-9730

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

DAVIS & MASCOLA, CPA'S

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

PROCESSED

1062 BARNES ROAD, SUITE 203, WALLINGFORD, CT 06492

(Address)

(City)

(State)

JUL 10 2002

(Zip Code)

CHECK ONE:

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

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

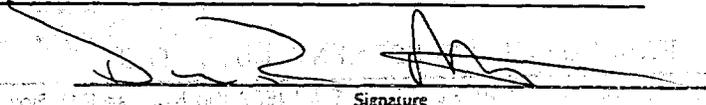
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, DALE R. ALDIERI, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WADSWORTH INVESTMENT CO., INC., as of

APRIL 30, 2002 XXXXXXXX are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

  
Signature

Notary Public  
Title

Notary Public

Subscribed and sworn to before me, a Notary Public, in and for County of New Haven and State of Connecticut, this 20<sup>th</sup> day of

June, 2002

Shere Cashman  
Notary Public

Date Commission Expires: 7/31/05

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).

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: October 31, 1989  
Estimated average burden  
hours per response . . . . 12.00

Form  
X-17A-5

**FOCUS REPORT**  
(Financial and Operational Combined Uniform Single Report)  
**PART IIA** 12

(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

SEC FILE NO. 14

WADSWORTH INVESTMENT CO., INC. 13

FIRM I.D. NO.

5844 15

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

879 CHURCH STREET 20

FOR PERIOD BEGINNING (MM/DD/YY)

5/01/01 24

(No. and Street)

WALLINGFORD 21

CT 22

06492 23

AND ENDING (MM/DD/YY)

4/30/02 25

(City)

(State)

(Zip Code)

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

(Area Code)—Telephone No.

DALE R. ALDIERI 30

(203) 269-9730 31

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

32  
34  
36  
38

OFFICIAL USE

33  
35  
37  
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 20<sup>th</sup> day of June 2002  
Manual signatures of:

1) \_\_\_\_\_  
Principal Executive Officer or Managing Partner

2) [Signature]  
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. 78f(a))

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

DAVIS & MASCOLA, CPA'S

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

70

ADDRESS

1062 BARNES RD. STE 203

71

WALLINGFORD

72

CT

73

06492

74

Number and Street

City

State

Zip Code

CHECK ONE

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 MM/DD/YY	DOC. SEQ. NO.	CARD			
50	51	52	53			

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER <b>WADSWORTH INVESTMENT CO., INC.</b>	<b>N3</b>			100
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## STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) <u>4/30/02</u>	99
SEC FILE NO. _____	98
Consolidated <input checked="" type="checkbox"/>	198
Unconsolidated <input type="checkbox"/>	199

	Allowable		Non-Allowable		Total
1. Cash .....	\$ 29,099	200			\$ 29,099 750
2. Receivables from brokers or dealers:					
A. Clearance account .....		295			
B. Other .....		300	\$ 550		810
3. Receivables from non-customers .....		355	600		955
4. Securities and spot commodities owned, at market value:					
A. Exempted securities .....		418			
B. Debt securities .....		419			
C. Options .....		420			
D. Other securities .....	257,268	424			
E. Spot commodities .....		430			
					257,268 850
5. Securities and/or other investments not readily marketable:					
A. At cost \$ _____		130			
B. At estimated fair value .....		440	610		1050
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities \$ _____		150			
B. Other securities \$ _____		160			
		470	640		1110
7. Secured demand notes:					
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		900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....		480	670		1150
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....	0	490	12,234	680	12,234 920
11. Other assets .....	0	535	0	735	0 930
12. TOTAL ASSETS .....	\$ 286,367	540	\$ 12,234	740	\$ 298,601 940

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **WADSWORTH INVESTMENT CO., INC.** as of 4/30/02

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

### LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable .....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value: .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	6,953 1205	1385	6,953 1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		1690
B. Secured .....	1211	1390	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$ 970			
2. Includes equity subordination (15c3-1(d)) of ... \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements .....		1420	1730
1. from outsiders \$ 1000			
2. Includes equity subordination (15c3-1(d)) of ... \$ 1010			
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. TOTAL LIABILITIES .....	\$ 6,953 1230	\$ 1450	\$ 6,953 1760

### Ownership Equity

21. Sole proprietorship .....	\$ 1770
22. Partnership (limited partners) .....	\$ 1020 1780
23. Corporation:	
A. Preferred stock .....	1791
B. Common stock .....	11,000 1792
C. Additional paid-in capital .....	1793
D. Retained earnings .....	280,648 1794
E. Total .....	291,648 1795
F. Less capital stock in treasury .....	( ) 1796
24. TOTAL OWNERSHIP EQUITY .....	\$ 291,648 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....	\$ 298,601 1810

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## FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER WADSWORTH INVESTMENT CO., INC.

as of 4/30/02

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	291,648		3480
2. Deduct ownership equity not allowable for Net Capital .....			(	3490
3. Total ownership equity qualified for Net Capital .....		291,648		3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....				3520
B. Other (deductions) or allowable credits (List) .....				3525
5. Total capital and allowable subordinated liabilities .....	\$			3530
6. Deductions and/or charges:				
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) .....	\$	12,234		3540
B. Secured demand note delinquency .....				3590
C. Commodity futures contracts and spot commodities— proprietary capital charges .....				3600
D. Other deductions and/or charges .....				3610
		( 12,234 )		3620
7. Other additions and/or allowable credits (List) .....				3630
8. Net capital before haircuts on securities positions .....	\$	279,414		3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):				
A. Contractual securities commitments .....	\$			3660
B. Subordinated securities borrowings .....				3670
C. Trading and investment securities:				
1. Exempted securities .....				3735
2. Debt securities .....				3733
3. Options .....				3730
4. Other securities .....		5,145		3734
D. Undue Concentration .....				3650
E. Other (List) .....				3736
		( 5,145 )		3740
10. Net Capital .....	\$	274,269		3750

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **WADSWORTH INVESTMENT CO., INC.**

as of 4/30/02

## COMPUTATION OF NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) .....	\$ 464	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$ 5,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$ 5,000	3760
14. Excess net capital (line 10 less 13) .....	\$ 269,269	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$ 273,574	3780

## COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$ 6,953	3790
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 .....	\$ 6,953	3840
20. Percentage of aggregate indebtedness to net capital (line 19 + line 10) .....	%	2.54 3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%	3860

## 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 .....	NOT APPLICABLE	3970
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	3880
24. Net capital requirement (greater of line 22 or 23) .....	\$	3760
25. Excess capital (line 10 less 24) .....	\$	3910
26. Net capital in excess of the greater of:		
A. 5% of combined aggregate debit items or \$120,000 .....	\$	3920

**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 $\frac{2}{3}$ % of aggregate indebtedness or 4% 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 **WADSWORTH INVESTMENT CO., INC.**

For the period (MMDDYY) from 5/01/01 **3932** to 4/30/02 **3933**  
Number of months included in this statement 12 **3931**

## STATEMENT OF INCOME (LOSS)

### REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange .....	\$ 10,457		3935
b. Commissions on listed option transactions .....			3938
c. All other securities commissions .....			3939
d. Total securities commissions .....	10,457		3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange .....			3945
b. From all other trading .....			3949
c. Total gain (loss) .....	( 36,290 )		3950
3. Gains or losses on firm securities investment accounts			3952
4. Profit (loss) from underwriting and selling groups .....			3955
5. Revenue from sale of investment company shares .....	468,782		3970
6. Commodities revenue .....			3990
7. Fees for account supervision, investment advisory and administrative services .....			3975
8. Other revenue .....	19,588		3995
9. Total revenue .....	\$ 462,537		4030

### EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers .....			
11. Other employee compensation and benefits .....	\$ 80,000		4120
12. Commissions paid to other broker-dealers .....	296,927		4115
13. Interest expense .....			4140
a. Includes interest on accounts subject to subordination agreements ....	4070		4075
14. Regulatory fees and expenses .....	5,204		4195
15. Other expenses .....	172,860		4100
16. Total expenses .....	\$ 554,991		4200

### NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16) .....			
18. Provision for Federal income taxes (for parent only) .....	\$ ( 92,454 )		4210
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above .....	0		4220
a. After Federal income taxes of .....	4338		4222
22. Extraordinary gains (losses) .....			4224
a. After Federal income taxes of .....	4239		4225
21. Cumulative effect of changes in accounting principles .....			4225
22. Net income (loss) after Federal income taxes and extraordinary items .....	\$ ( 92,454 )		4230

### MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items .....			
			4211

## FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **WADSWORTH INVESTMENT CO., INC.**

For the period (MMDDYY) from 5/01/01 to 4/30/02

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

1. Balance, beginning of period .....	\$	384,102	4240
A. Net income (loss) .....		( 92,454)	4250
B. Additions (Includes non-conforming capital of .....	\$	4262	4260
C. Deductions (Includes non-conforming capital of .....	\$	4272	4270
2. Balance, end of period (From item 1800) .....		\$ 291,648	4290

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

3. Balance, beginning of period .....	\$	NOT APPLICABLE	4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....		\$	4330

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **WADSWORTH INVESTMENT CO., INC.**

as of 4/30/02

### Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-1 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 .....  | _____ | 4550 |
| B. (k) (2)(A) — "Special Account for the Exclusive Benefit of customers" maintained .....                   | _____ | 4560 |
| C. (k) (2) (B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis |       |      |
| Name of clearing firm <u>CANTELLA</u> <span style="margin-left: 100px;">4335</span>                         | X     | 4570 |
| D. (k) (3) — Exempted by order of the Commission (include copy of letter) .....                             | _____ | 4580 |

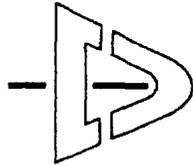
### Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual <small>(See below for code)</small>	Name of Lender or Contributor	Insider or Outsider? <small>(In or Out)</small>	Amount to be withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew <small>(Yes or No)</small>	
31	4600	4601	4602	4603	4604	4605
32	4610	4611	4612	4613	4614	4615
	4620	4621	4622	4623	4624	4625
	4630	4631	4632	4633	4634	4635
	4640	4641	4642	4643	4644	4645
Total \$ <u>4699</u>						

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 anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

<b>WITHDRAWAL CODE:</b>	<b>DESCRIPTIONS</b>
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals



**DAVIS & MASCOLA**  
CERTIFIED PUBLIC ACCOUNTANTS

1062 BARNES RD., SUITE 203  
WALLINGFORD, CT 06492-2576

TEL • (203) 265-0488  
FAX • (203) 284-9486

William F. Wadsworth  
Wadsworth Investment Company, Inc.  
Wallingford, Connecticut

### Independent Auditor's Report

We have audited the Financial and Operational Combined Uniform Single Report (FOCUS REPORT), Statement of Cash Flows, and Reconciliation of Computation of Net Capital of Wadsworth Investment Company, Inc. as of April 30, 2002. 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. 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.

As described in Note 1, the financial statements included in the FOCUS REPORT were prepared in conformity with the accounting practices prescribed by the Securities and Exchange Commission, which is the same as accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Financial Condition for Noncarrying, Nonclearing and Certain Other Brokers or Dealers of Wadsworth Investment Company, Inc. as of April 30, 2002, and the Computation of Net Capital, Computation of Net Capital Requirement, Statement of Income (Loss), Statement of Changes in Ownership Equity, Statement of Cash Flows, and the Reconciliation of Computation of Net Capital for the year then ended on the basis of accounting described in Note 1.

*Davis & Mascola, CPAs*

May 30, 2002

**WADSWORTH INVESTMENT COMPANY, INC.**  
**STATEMENT OF CASH FLOWS**  
For the period ended April 30, 2002

**OPERATING ACTIVITIES:**

Net income(loss)	(\$ 92,454)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	6,174
Loss on securities	36,290
Decrease in accounts receivable	2,752
Decrease in accrued liabilities	<u>( 186,340)</u>
Net cash used in operating activities	<u>( 233,578)</u>

**INVESTING ACTIVITIES:**

Sales of equipment	12,371
Sale of securities	1,084,540
Purchase of securities	<u>(1,120,829)</u>
Net cash used in investing activities	<u>( 23,918)</u>
Decrease in cash and cash equivalents	( 257,496)
Cash and cash equivalents at beginning of year	<u>540,563</u>
Cash and cash equivalents at end of year	<u>\$ 283,067</u>

**SUPPLEMENTAL DISCLOSURES:**

Interest paid: None  
Income taxes paid: Federal - None; State - \$1,389

See accompanying notes and accountant's report.

**WADSWORTH INVESTMENT COMPANY, INC.**  
**RECONCILIATION OF COMPUTATION OF NET CAPITAL**  
April 30, 2002

Net capital per audit report	\$ 274,269
Net capital per 5 <sup>th</sup> quarterly report	<u>276,627</u>
Difference	<u>(\$ 2,358)</u>

The differences were the result of the following corrections:

Line 1.	Total ownership equity.	(\$ 9,266)
	Differences created by adjustment for:	
	Commission income	( 2,751)
	Depreciation expense	( 3,674)
	Commission expense	( 4,559)
	Office expense	<u>1,718</u>
		<u>(\$ 9,266)</u>
Line 6A.	Deductions and/or charges	
	Total nonallowable assets.	6,974
	Accumulated depreciation	<u>\$ 6,974</u>
Line 9C4.	Haircuts on securities	( 66)
		<u>(\$ 2,358)</u>

There were material differences in net capital.

There were no material inadequacies found to exist or found to have existed since the date of the previous audit.

See accompanying notes and accountant's report.

**WADSWORTH INVESTMENT COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Description of Business

Wadsworth Investment Company, Inc. is a broker-dealer, located in Wallingford, CT, which sells shares of mutual funds and other investments. The Company receives most of its income from commissions on the sale of investments and does not handle any client funds or hold any client securities.

b) Basis of Financial Statement Presentation

The Company prepares the FOCUS REPORT in accordance with the requirements of the Securities and Exchange Commission. The basis of accounting is the same as accounting principles generally accepted in the United States.

c) Equipment

Equipment is stated at cost and depreciated using estimated useful lives. The estimated useful life of equipment is 5 - 7 years.

d) Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all short-term debt securities with a maturity of three months or less to be cash equivalents.

e) Use of Estimates

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

f) Concentrations of Credit Risk

Cash accounts are maintained at a bank in Wallingford, Connecticut and a Mutual Fund Money Market account. At times, cash balances may be in excess of FDIC insurance limits, or in uninsured accounts.

See accompanying notes and accountant's report.

**WADSWORTH INVESTMENT COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2002

**2. RELATED PARTY TRANSACTIONS**

The Company is solely owned by William F. Wadsworth. Mr. Wadsworth is also the sole shareholder of Wadsworth Financial Group, Inc., and is a partner in Portfolio Timing Services. The Company also leases office space from the sole shareholder. Rent expense for the year totaled \$60,000. The Company does not receive any income from or pay any expenses to Portfolio Timing Services.

**3. PENSION PLAN**

The Company has a pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation during the last five years of employment. The Company's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The Company's contributions for the year was \$285,740. No benefits were paid during the year ended April 30, 2002. The following sets forth the funded status as of April 30, 2002:

	4/30/2002
Accumulated Benefit Obligation Vested	<u>\$ 971,737</u>
Projected Benefit Obligation for Service Rendered to Date	( 971,737)
Plan Assets at Fair Market Value	<u>960,209</u>
Funded Status	( 11,528)
Unrecognized Net Loss from Past Experience Different From that Assumed	30,110
Unrecognized Prior Service Cost	0
Unrecognized Net Transition Asset	<u>15,559</u>
Prepaid (Accrued) Pension Cost	<u>\$ 34,141</u>

See accompanying notes and accountant's report.

**WADSWORTH INVESTMENT COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2002

**3. PENSION PLAN (cont.)**

**Net Periodic Pension Cost**

Service Cost - Benefits earned during the period	\$ 243,322
Interest Cost on Projected Benefit Obligation	45,991
Actual Return on Plan Assets	7,863
Amortization of Net Transition Asset	7,779
Net Asset Gain (Loss) Deferred	( 53,356)
Recognition of Settlement	<u>0</u>
Net Periodic Pension Cost	<u>\$ 251,599</u>

Discount Rate and long term expected rate of return: 7%  
Average remaining years of future service: 3

See accompanying notes and accountant's report.