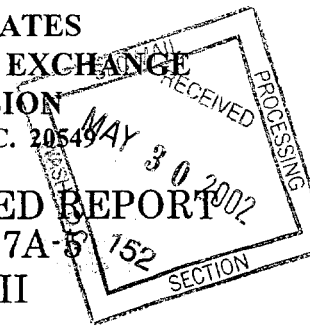




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UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION
Washington, D.C. 20549

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



OMB APPROVAL OMB Number: 3235-0123 Expires: September Estimated average burden hours per response...12.00
-SEC FILE NUMBER 8-29659

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 04/01/01 AND ENDING 03/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Armata Financial Corp.

Official Use Only

FIRM ID. NO.

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

225 East Redwood Street, 3rd Floor

(No. and Street)

Baltimore

Maryland

21202

(City)

(State)

(Zip Code)

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

Timothy M. Gisriel

410-727-4083

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

KPMG LLP

111 South Calvert Street
(ADDRESS) Number and Street

Baltimore
City

Maryland
State

21202

PROCESSED

CHECK ONE:

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

JUN 26 2002

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).

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
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ICD

OATH OR AFFIRMATION

I, Timothy M. Gisriel, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Armata Financial Corp. as of March 31, 2002 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer except as follows:

None

Timothy M. Gisriel
Timothy M. Gisriel

Treasurer

Title

Notary Public

Patricia L. Savirano
My commission expires 10-1-03

This report ** contains (check all applicable boxes):

- X (a) Facing Page.
- X (b) Statement of Financial Condition.
- X (c) Statement of Income (Loss).
- X (d) Statement of Changes in Financial Condition.
- X (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.
- X (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 Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- X (l) An Oath or Affirmation.
- ☐ (m) A Copy of the SIPC Supplemental Report.
- X (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).



111 South Calvert Street
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors
Armata Financial Corp.:

We have audited the accompanying statement of financial condition of Armata Financial Corp. as of March 31, 2002, and the related statements of income, stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

The Company's securities business has been limited to acting as broker (agent) for broker-dealers soliciting subscriptions for direct participations in income-producing limited partnerships. The Company's accounting records indicate that it has not held funds or securities for or owed money or securities to customers.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Armata Financial Corp. as of March 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

May 15, 2002



KPMG LLP KPMG LLP a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

ARMATA FINANCIAL CORP.

Statement of Financial Condition

March 31, 2002

Assets

Cash and cash equivalents	\$ 295,062
Income taxes receivable	<u>772</u>
Total assets	<u>\$ 295,834</u>

Liabilities and Stockholder's Equity

Due to Alex. Brown Realty, Inc. (note 5)	<u>\$ 4,830</u>
Stockholder's equity (note 3):	
Common stock, \$1 par value. Authorized 100,000 shares, issued and outstanding 1,000 shares	1,000
Additional paid-in capital	149,000
Retained earnings	<u>141,004</u>
Total stockholder's equity	<u>291,004</u>
Total liabilities and stockholder's equity	<u>\$ 295,834</u>

See accompanying notes to financial statements.

ARMATA FINANCIAL CORP.

Statement of Income

Year ended March 31, 2002

Revenue:	
Syndication fees	\$ 288,750
Interest income	8,220
Total revenue	296,970
Operating expenses (note 5):	
Commissions	213,750
Payroll and related costs	64,879
Other expenses	11,113
Total operating expenses	289,742
Income before income taxes	7,228
Income tax expense (note 2)	3,136
Net income	\$ 4,092

See accompanying notes to financial statements.

ARMATA FINANCIAL CORP.

Statement of Stockholder's Equity

Year ended March 31, 2002

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total stockholder's equity</u>
Balance at March 31, 2001	\$ 1,000	149,000	136,912	286,912
Net income	<u>—</u>	<u>—</u>	4,092	4,092
Balance at March 31, 2002	<u>\$ 1,000</u>	<u>149,000</u>	<u>141,004</u>	<u>291,004</u>

See accompanying notes to financial statements.

ARMATA FINANCIAL CORP.

Statement of Cash Flows

Year ended March 31, 2002

Cash flows from operating activities:

Net income	\$ 4,092
Adjustments to reconcile net income to net cash used by operating activities:	
Increase in income taxes receivable	(772)
Decrease in amounts due to Alex. Brown Realty, Inc.	<u>(3,321)</u>

Net cash used by operating activities	(1)
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Cash and cash equivalents at beginning of year	<u>295,063</u>
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Cash and cash equivalents at end of year	<u><u>\$ 295,062</u></u>
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Supplemental cash flow information:

Income taxes paid	<u><u>\$ 1,278</u></u>
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See accompanying notes to financial statements.

ARMATA FINANCIAL CORP.

Notes to Financial Statements

March 31, 2002

(1) Organization and Summary of Significant Accounting Policies

Armata Financial Corp. (the Company) is a wholly owned subsidiary of Alex. Brown Realty, Inc. (Realty). The Company's securities business has been limited to acting as broker (agent) for broker-dealers soliciting subscriptions for direct participations in income-producing limited partnerships sponsored by Realty.

Syndication fees and commissions expense are recognized as revenues or expenses after partnerships have been formed, limited partnership interests have been sold and funds received from partners have been released from escrow to the partnerships.

The Company considers all short-term investments with maturities of three months or less at dates of purchase as cash equivalents.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies as of the date of the statement of financial condition and the reported amounts of income and expenses for the period. Actual results may differ from those estimates.

(2) Income Taxes

The Company is included in the consolidated federal income tax return filed by Realty and files a separate state income tax return. Under a tax sharing arrangement with Realty, the Company is allocated federal income tax expense (or benefit) approximately equal to that which the Company would incur if it filed a separate federal income tax return. Income tax expense includes federal income taxes of \$2,630 and state income taxes of \$506. Federal income tax is payable to Realty, while state income tax payments resulted in income taxes receivable of \$772 at March 31, 2002.

(3) Net Capital Requirement

The Company is required to comply with the uniform net capital rule of the Securities and Exchange Commission. This rule prohibits the Company from engaging in any securities transaction should its "aggregate indebtedness" exceed 15 times its "net capital", as those terms are defined in the rule. This rule also requires that the Company maintain "net capital" of the greater of \$5,000 or 6-2/3% of aggregate indebtedness. In computing net capital, items not readily convertible into cash are excluded.

ARMATA FINANCIAL CORP.

Notes to Financial Statements

March 31, 2002

A computation of the Company's aggregate indebtedness and net capital under the uniform net capital rule as of March 31, 2002 is as follows:

Aggregate indebtedness	\$	<u>4,830</u>
Net capital:		
Credit items:		
Common stock	\$	1,000
Additional paid-in capital		149,000
Retained earnings		<u>141,004</u>
		<u>291,004</u>
Debit items:		
Nonallowable assets:		
Excess fidelity bond deductible		20,000
Other assets		<u>826</u>
		<u>20,826</u>
Net capital	\$	<u><u>270,178</u></u>
Ratio of aggregate indebtedness to net capital		<u><u>2%</u></u>

There were no differences between this computation and that filed by the Company on Securities and Exchange Commission Form X-17-A-5 (FOCUS filing) as of March 31, 2002.

(4) Schedules

No supporting schedules are included herewith since the information required under Rule 17a-5 of the Securities and Exchange Commission is included in the notes to financial statements or is not applicable as the Company is claiming an exemption under Rule 15c3-3(k)(2)(i) from the requirements of computing the reserve requirements and presenting information for possession or control requirements thereunder.

(5) Relationships with Affiliates

The Company is allocated certain expenses from Realty. Such expenses include salaries and related fringe benefits. The amount due to Realty includes expenses allocated from Realty to the Company. Amounts due to or from Realty are non-interest bearing.



111 South Calvert Street
Baltimore, MD 21202

**Independent Auditors' Report on Internal
Control Required by SEC Rule 17a-5**

The Board of Directors
Armata Financial Corp.:

In planning and performing our audit of the financial statements of Armata Financial Corp. (the Company) for the year ended March 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons.
2. Recordation of differences required by Rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.





Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at March 31, 2002, to meet the SEC's objectives.

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

KPMG LLP

May 15, 2002



ARMATA FINANCIAL CORP.

Financial Statements
(Together with Independent Auditors' Report
on Internal Control Required by SEC Rule 17a-5)

March 31, 2002

(With Independent Auditors' Report Thereon)