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

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APR 03 2002  
354  
SECTION  
WASH. D.C.

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

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366  
SECTION  
WASH. D.C.

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:

TRADEWAY SECURITIES GROUP, INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

5875 AVENIDA ENCINAS

(No. and Street)

CARLSBAD

CA

92008

(City)

(State)

(Zip Code)

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

ROBERT M. GUILTMAN

760-602-1900

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

SKERHON COMPANY

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

180 S. LAKE AVENUE, 7TH FLOOR PASADENA, CA 91101

(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 05 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).

VF 4-4-02

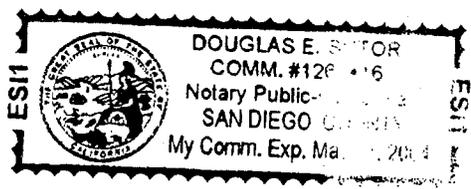
OATH OR AFFIRMATION

I, ROBERT M. GULTINAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TRADEWAY SECURITIES GROUP INC, as of MARCH 25, 192002 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]  
Signature  
President / CFO  
Title

[Signature]  
Notary Public



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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

*Financial Statements*

TRADEWAY SECURITIES GROUP, INC.

(A California Corporation)

DECEMBER 31, 2001

SKEEHAN & COMPANY  
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

180 SOUTH LAKE AVENUE, SEVENTH FLOOR  
PASADENA, CALIFORNIA 91101  
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AMERICAN INSTITUTE OF  
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MEMBER  
CALIFORNIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

FILE NO.

INDEPENDENT AUDITORS REPORT

To The Board of Directors and Stockholders of  
Tradeway Securities Group, Inc.  
Carlsbad, California

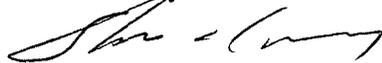
We have audited the accompanying balance sheet of Tradeway Securities Group, Inc. (a California Corporation) as of December 31, 2001, and the related statements of income, accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 Tradeway Securities Group, Inc. (a California Corporation) 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for 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. Differences exist between Schedule I and the Computation of Net Capital as reported on Part IIA of Forms X-17A-5 filed by the Company at December 31, 2001 due to additional expenses recorded as a result of our examination. Schedule 2 reconciles these differences.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 11 to the financial statements, the Company has significant operating losses for the year ended December 31, 2001. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are described in Note 11, Going Concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



SKEEHAN & COMPANY  
Pasadena, California

March 29, 2002

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

BALANCE SHEET  
DECEMBER 31, 2001

ASSETS

Current Assets

Cash and Cash Equivalents	\$	245,965	
Commissions Receivable		36,491	
Interest Receivable		3,000	
Employee Advances		1,450	
Investments in Marketable Securities, at cost		6,641	
Prepaid Expenses		<u>38,460</u>	
<u>Total Current Assets</u>	\$		332,007

Property and Equipment

Office Equipment		124,212	
Leasehold Improvements		86,631	
Accumulated Depreciation		<u>(61,639)</u>	
<u>Total Property and Equipment</u>			149,204

Other Assets

Deposits		<u>48,080</u>	
<u>Total Other Assets</u>			<u>48,080</u>
<u>Total Assets</u>	\$		<u><u>529,291</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements  
See Accountant's Audit Report

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

BALANCE SHEET  
DECEMBER 31, 2001

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable	\$	71,802	
Commissions Payable		87,353	
Income Taxes Payable		<u>800</u>	
<u>Total Current Liabilities</u>	\$		159,955

Long Term Liabilities

Note Payable, Stockholder		25,867	
Deferred Income Tax Payable		<u>7,437</u>	
<u>Total Long Liabilities</u>			<u>33,304</u>

<u>Total Liabilities</u>			193,259
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Stockholders' Equity

Common Stock, \$2 par value, 10,000 Shares Authorized, Issued and Outstanding		20,000	
Paid-in Capital		457,273	
Accumulated Deficit		<u>(141,241)</u>	
<u>Total Stockholders' Equity</u>			<u>336,032</u>

<u>Total Liabilities &amp; Stockholders' Equity</u>	\$		<u>529,291</u>
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The Accompanying Notes Are An Integral Part Of These Financial Statements  
See Accountant's Audit Report

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

STATEMENT OF INCOME AND ACCUMULATED DEFICIT  
FOR THE TWELVE MONTHS ENDED  
DECEMBER 31, 2001

<u>Revenue</u>	\$ 3,885,814
<u>Operating Expenses</u> - See Schedule	<u>4,067,536</u>
<u>Net Loss From Operations</u>	(181,722)
<u>Other Income (Expense)</u>	
Depreciation	(24,322)
Loss On Disposal of Assets	<u>( 5,248 )</u>
<u>Total Other Income (Expense)</u>	<u>(29,570)</u>
<u>Loss Before Provision for Taxes</u>	(211,292)
<u>Provision for Income Taxes</u>	<u>(800)</u>
<u>Net Loss</u>	(212,092)
<u>Retained Earnings, January 1, 2001</u>	86,721
Prior Period Adjustment – Error To correct prepaid expenses	<u>(15,870)</u>
Balance at Beginning of Year, as Restated	<u>70,851</u>
<u>Accumulated Deficit, December 31, 2001</u>	<u>\$ (141,241)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements  
See Accountant's Audit Report

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

STATEMENT OF CASH FLOWS  
FOR THE TWELVE MONTHS ENDED  
DECEMBER 31, 2001

Cash Flows From Operating Activities:

Net Loss		\$	(212,092 )
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities:			
Depreciation	\$	24,322	
Prior Period Adjustment – Error		(15,870)	
Loss on Disposal of Assets		5,248	
Decrease in Commissions Receivable		200,291	
Decrease in Prepaid Expenses		37,074	
Increase in Marketable Securities		(15,107)	
Decrease in Payroll Taxes Payable		(9,118)	
Decrease in Commission Payable		(115,699)	
Decrease in Accounts Payable		(75,000)	
Decrease in Other Receivables		4,702	
Increase in Income Taxes Payable		(41,047)	
<u>Total Adjustments</u>			<u>(204 )</u>
<u>Net Cash Used in Operating Activities</u>			<u>(212,296 )</u>

Cash Flows From Investing Activities:

Acquisition of Fixed Assets		(16,492)	
Proceeds from Sale of Fixed Assets		<u>4,000</u>	
<u>Net Cash Used in Investing Activities</u>			<u>(12,492 )</u>

Cash Flows From Financing Activities:

Decrease in Notes Payable, Stockholders		(74,133)	
Increase in Paid in Capital		<u>89,333</u>	
<u>Net Cash Provided by Financing Activities</u>			<u>15,200</u>

Net Decrease in Cash		(209,588 )
Cash and Cash Equivalents at Beginning of Year		<u>455,553</u>
Cash and Cash Equivalents at December 31, 2001		<u>\$ 245,965</u>

Supplementary Information

Interest Paid		<u>\$ 0</u>
Income Taxes Paid		<u>\$ 0</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements  
See Accountant's Audit Report

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001

	Common Stock		Additional	Accumulated
	<u>Number</u>	<u>Amount</u>	<u>Paid-In</u> <u>Capital</u>	<u>Earnings</u> <u>( Deficit)</u>
Balance at January 1, 2001	10,000	\$ 20,000	\$ 367,940	\$ 86,721
Prior Period Adjustment – Error				(15,870)
Additional Paid-in Capital			89,333	
Net Loss For The Year				<u>(212,092)</u>
Balance at December 31, 2001	<u>10,000</u>	<u>\$ 20,000</u>	<u>\$ 457,273</u>	<u>\$ (141,241)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements  
See Accountant's Audit Report

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

Note 1 - Nature of Business and Summary of Accounting Policies

Nature of Business

The company was incorporated on January 21, 1992. It operates as a Broker/Dealer and was registered with the Securities and Exchange Commission on February 13, 1992 and the National Association of Securities Dealers, Inc. on May 8, 1992. The Company conducts its business pursuant to Rule 15c3-1 (a)(2)(iii) under the Securities Exchange Act of 1934, as Amended, and in accordance therewith is required to maintain a minimum net capital of \$100,000.

Accounting Method

The Company maintains its books and records, reports its financial statements and income tax returns on the accrual basis of accounting.

Concentration Risk

The Company currently generates a significant amount of its revenue from one stockholder of the Company who, in turn, relies on the Company's compliance with SEC rule 15c3-1, requiring minimum net capital of \$100,000. Therefore, this concentration gives risk to the potential lack of future revenues.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from these estimates.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

Cash	\$	195,694
Cash, Clearing Accounts		<u>50,271</u>
	\$	<u>245,965</u>

Cash in clearing accounts totaling \$50,271 is included in cash in the accompanying financial statements. The Company has agreements with Wedbush Morgan Securities and Penson Financial Services to clear and maintain customer accounts for the Company. At December 31, 2001, both firms required the amount of \$25,000, plus accrued interest to be on deposit. At December 31, 2001 the amount on deposit with Wedbush Morgan Securities was \$25,203 and \$25,485 with Penson Financial Services, less a net cash deficit of \$417 in the error account.

See Accountant's Audit Report

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

Note 3 - Investments in Marketable Securities

At December 31, 2001 the Company carried at cost common stock investments with the following market value:

	<u># Shares</u>	<u>Aggregate Investment</u>
NetGateway, Inc.	6,287	2,200
The NASD Stock Market, Inc.-Warrants	300	3,300
Global Sources Limited – Warrants	75,000	1,125
Alliance Capital Reserves	16	16

At December 31, 2001 the equity in the net assets of companies carried at cost was \$6,641.

Note 4 - Property and Equipment

Property and Equipment are stated at cost. Depreciation is computed by using the straight-line method over the estimated useful lives of the related assets.

Depreciation expense for 2001 was \$24,322.

Upon the sale or retirement of property and equipment the related cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is recognized. Repairs and maintenance expenditures that do not extend the useful lives are included in expenses during the period they are incurred.

Note 5 - Related Party Transactions

At December 31, 2001, the Company owed the following amounts to shareholders:

Frank Gultinan	\$ 9,333
Joe Mangiapane	<u>16,534</u>
Total Notes Payable	<u>\$ 25,867</u>

The loans bear interest at no percent.

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

Note 6 - Commitments and Contingent Liabilities

The company leases office space in Irvine, California under an operating lease expiring January 31, 2004.

Minimum future rental payments under this lease for the next year and in aggregate are:

<u>Year Ended December 31,</u>	<u>Amount</u>
2002	\$ 107,500
2003	<u>19,000</u>
Total	<u>\$ 126,500</u>

The Company leases office space in Carlsbad, California under an operating lease expiring December 31, 2003.

Minimum future rental payments under this lease for the next year and in aggregate are:

<u>Year Ended December 31,</u>	<u>Amount</u>
2002	\$ 142,648
2003	<u>149,095</u>
Total	<u>\$ 291,743</u>

Total rent expense for 2001 aggregated is \$326,041.

The Company entered into an agreement with MCI Communications for a term of three years expiring March, 2003. Under the agreement, the Company is committed to minimum usage volumes. The Company has been engaged in a dispute with MCI and has demanded damages in excess of the \$13,000 billed and owed to MCI at December 31, 2001. Management of the Company believes the resolution of this dispute will not result in any material adverse effect on the Company's financial position.

The Company is a defendant in numerous lawsuits filed by its customers for security violations. The lawsuits ask for actual and punitive damages totaling \$500,000. The majority of the suits are to be determined by arbitration. The Company believes that the suits are completely without merit and intends to vigorously defend its position(s).

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

Note 7 - 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, the Company had net capital of \$101,689, which was \$1,689 in excess of its required net capital of \$100,000. The Company's net capital ratio was 1.58 to 1.

Note 8 - Income Taxes

The provision for income taxes reported on the statements of income and retained earnings reflects the calculated taxes using the financial statement income adjusted for nondeductible items and applying current federal and state rates. The accompanying income statement and accumulated deficit also reflects a deferred tax benefit or expense in order to account for temporary differences between financial statement income and tax income. Temporary differences occur when accounting for depreciation.

The deferred tax liability at December 31, 2001 was comprised of the following:

Excess of tax depreciation over financial accounting depreciation	<u>\$ 7,437</u>
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Note 9 - Subsequent Events

On March 1, 2002 the company entered an agreement with Hyogo Atrium, Inc. the lessor of the company's Irvine office to terminate the Lease. The agreement stipulates that the Company will pay Atrium Irvine, Inc. a total of \$126,500. \$12,500 is due upon the date of the agreement and \$9,500 per month for twelve months commencing March 1, 2002. At the date of this report, Company is in compliance with the agreement.

Additionally, if the premises are re-let prior to the completion of the monthly payments stated above, and after the Company's payment of fair and reasonable real estate broker's commission prorated over the life of the agreement, the remaining payments shall be reduced to \$4,750 per month. At the date of this report the premises have not been re-let.

The agreement's default provision states that in the event of non-payment or late payment the remaining balance is accelerated and due and payable. At the date of this report the company is not in default.

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

Note 10 - Correction Of An Error

Retained Earnings at the beginning of 2001 has been adjusted to correct an error in recording of prepaid expenses paid in 2000. Had the error not been made, net income for 2000 would have been decreased by \$15,870, net of income tax of \$11,863.

Note 11 - Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the company as a going concern. However, the Company sustained substantial operating losses in 2001 and continues to incur losses through the date of this report.

Management believes that aggressive reduction of operating expenses subsequent to December 31, 2001 will reduce the Company's financial deficiencies. However, management believes it will need to increase revenues substantially to meet its monthly obligations. Furthermore, management believes it will need to rely on additional capital contributions to comply with the requirements of SEC rule 15c3-1.

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

SCHEDULE OF OPERATING EXPENSES  
FOR THE TWELVE MONTHS ENDED  
DECEMBER 31, 2001

<u>Operating Expenses</u>	
Advertising	\$ 4,562
Administrative Salaries	392,211
Auto Expense	18,650
Bad Debt Expense	2,454
Bank Charges	615
Bonuses	5,057
Clearing Expenses	274,253
Commissions	2,476,469
Computer Expense	13,950
Contract Services	17,222
Education	2,023
Exchange/Quotation Fees	72,296
Insurance	78,149
Legal & Accounting	(8,521)
Office Expense	22,300
Officer Salaries	111,125
Payroll Taxes	45,783
Postage	21,291
Rent	326,041
Registration Fees	10,990
Repairs & Maintenance	8,899
Settlement Expense	72,700
Tax & Licenses	1,156
Telephone	89,894
Travel	691
Utilities	<u>7,276</u>
<u>Total</u>	<u>\$ 4,067,536</u>

See Accountant's Audit Report

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

SCHEDULE 1 - NET CAPITAL COMPUTATION  
AT  
DECEMBER 31, 2001

Aggregate Indebtedness		<u>\$ 159,955</u>
<u>Net Capital Credit Items:</u>		
Deferred Income Tax Payable	7,437	
Common Stock	20,000	
Paid in Capital	457,273	
Accumulated Deficit	<u>(141,241 )</u>	
<u>Total Net Capital Credit Items</u>		\$ 343,469
<u>Less Net Capital Debit Items:</u>		
Prepaid Expenses	38,460	
Employee Advances	1,450	
Property, Net	149,204	
Deposits	48,080	
Securities not Readably Marketable	3,300	
Investment Deduction	<u>1,286</u>	
<u>Total Net Capital Debit Items</u>		<u>(241,780 )</u>
Net Capital		101,689
Required Net Capital		<u>100,000</u>
<u>Excess Net Capital</u>		<u>\$ 1,689</u>

See Accountant's Audit Report

TRADEWAY SECURITIES GROUP, INC.  
(A California Corporation)

SCHEDULE 2 - RECONCILIATION OF NET CAPITAL  
AT  
DECEMBER 31, 2001

Unaudited Net Capital - Form X-17A-5, Part IIA December 31, 2001	\$ 133,860
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Adjustments to Form X-17A-5, Part IIA:

Accrual of Additional Expenses and Accounts Payable at December 31, 2001	<u>(32,171)</u>
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Net Capital Per Audited Statement - Schedule 1	<u>\$ 101,689</u>
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See Accountant's Audit Report

# SKEEHAN & COMPANY

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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MEMBER  
CALIFORNIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

FILE NO.

To The Board of Directors  
and Stockholders of  
Tradeway Securities Group, Inc.  
Irvine, California

In planning and performing our audit of the financial statements of Tradeway Securities Group, Inc. (A California Corporation) for the year ended December 31, 2001, we considered its internal control structure, 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 Tradeway Securities Group, Inc. (A California Corporation) that we considered relevant to the objectives stated in rule 17a-5(g), to make 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).

The Company has retained Wedbush Morgan Securities and Penson Financial Services as the Clearing Broker/Dealer and therefore did not transact any business in securities for itself or any customers during 2001, therefore we did not make a study of the practices and procedures of the Company, (1) for safeguarding securities; (2) for making quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by rule 17a-13; (3) for complying with the requirement for prompt payment for securities under Section 4(c) or Regulation T of the Board of Governors of the Federal Reserve System; and (4) for obtaining and maintaining possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

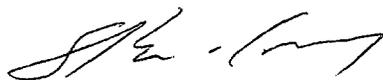
The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives.

The objective of an internal control structure and of the practices and procedures is to provide management with reasonable, but not absolute, assurance (1) that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and (2) that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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

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

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.



SKEEHAN & COMPANY  
Pasadena, California

March 29, 2002