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

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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: JENCKS & COMPANY, LLC ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 3417 FREMONT AVE N, STE 221

OFFICIAL USE ONLY FIRM I.D. NO.

(No. and Street) SEATTLE WASHINGTON 98103 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT STEPHEN JENCKS (206) 547-2565 (Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

PETERSON SULLIVAN PLLC

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

601 UNION ST, STE 2300 SEATTLE WASHINGTON 98101 (Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED JUN 05 2002 THOMSON FINANCIAL P

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\*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)

AM 5/31/2002

OATH OR AFFIRMATION

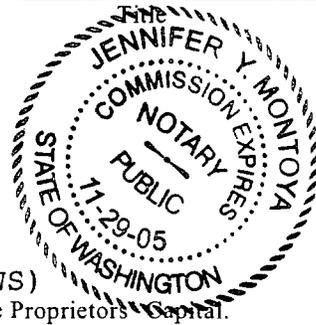
I, STEPHEN JENCKS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JENCKS & COMPANY, LLC, as of MARCH 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Stephen Jencks  
Signature

SENIOR MANAGING MEMBER

Jennifer Y. Montoya  
Notary Public

My Commission Expires on: Nov. 29, 2005



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. (CASH FLOWS)
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors. (NOT APPLICABLE)
- (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 15c3-3 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. (NOT APPLICABLE)
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report. (NOT APPLICABLE)
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit. (NOT APPLICABLE)

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

X (O) INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5.

JENCKS & COMPANY, LLC

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

MARCH 31, 2002

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# PETERSON SULLIVAN PLLC

601 UNION STREET SUITE 2300 SEATTLE WA 98101 (206) 382-7777 FAX 382-7700  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Members  
Jencks & Company, LLC  
Seattle, Washington

We have audited the accompanying statement of financial condition of Jencks & Company, LLC as of March 31, 2002, and the related statements of operations, members' equity, 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jencks & Company, LLC 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in Schedules I and II 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Peterson Sullivan PLLC*

May 20, 2002

JENCKS & COMPANY, LLC  
STATEMENT OF FINANCIAL CONDITION  
March 31, 2002

ASSETS

Cash	\$ 21,729
Receivable from brokers and dealers	105,031
Receivable from related party	33,049
Securities owned, at market value	3,943,722
Furniture and equipment, net	11,152
Other assets	3,331
	<u>3,331</u>
	<u>\$ 4,118,014</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Payable to brokers and dealers	\$ 1,492,182
Securities sold, not yet purchased, at market value	2,320,112
Accrued and other liabilities	19,279
	<u>19,279</u>
	3,831,573
Members' Equity	
Capital contributions	1,249,493
Retained earnings	(963,052)
	<u>(963,052)</u>
	286,441
	<u>286,441</u>
	<u>\$ 4,118,014</u>

See Notes to Financial Statements

JENCKS & COMPANY, LLC  
STATEMENT OF OPERATIONS  
For the Year Ended March 31, 2002

Revenues	
Commissions	\$ 283,612
Interest and other income	90,253
	<hr/>
	373,865
Expenses	
Salaries and benefits	155,511
Payroll taxes	13,232
Settlement and clearing	70,688
Interest	75,514
Communications	16,296
Rent	12,155
Office expense	49,279
Depreciation	5,740
Professional fees	11,825
Other	4,504
	<hr/>
	414,744
	<hr/>
Net loss	\$ (40,879)

See Notes to Financial Statements

JENCKS & COMPANY, LLC  
 STATEMENT OF MEMBERS' EQUITY  
 Year Ended March 31, 2002

	Capital Contributions	Retained Earnings	Total
Balances, March 31, 2001	\$ 1,198,493	\$ (922,173)	\$ 276,320
Capital contribution	51,000		51,000
Net loss		(40,879)	(40,879)
Balances, March 31, 2002	\$ 1,249,493	\$ (963,052)	\$ 286,441

See Notes to Financial Statements

JENCKS & COMPANY, LLC  
 STATEMENT OF CASH FLOWS  
 For the Year Ended March 31, 2002

Cash Flows from Operating Activities	
Net loss	\$ (40,879)
Adjustments to reconcile net loss to cash flows from operating activities	
Depreciation	5,740
Change in operating assets and liabilities	
Receivable from brokers and dealers	154,121
Receivable from related party	(27,954)
Securities owned	(2,693,375)
Other assets	376
Securities sold, not yet purchased	1,307,647
Payable to brokers and dealers	1,146,129
Accrued and other liabilities	<u>12,824</u>
Net cash flows from operating activities	(135,371)
 Cash Flows from Financing Activity	
Contribution received from member	<u>51,000</u>
 Decrease in cash	(84,371)
 Cash Balance, beginning of year	<u>106,100</u>
 Cash Balance, end of year	<u><u>\$ 21,729</u></u>
 Supplemental Cash Flow Information	
Cash paid during the year for interest	<u><u>\$ 75,514</u></u>

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Organization and Significant Accounting Policies

#### Organization

Jencks & Company, LLC ("the Company") is a securities broker and dealer as approved by the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. The Company's activities are comprised of principal transactions in mortgage-backed and government securities.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimates.

#### Cash

Cash consists of cash in banks and money market funds. The Company occasionally has deposits in excess of federally insured limits.

#### Revenue Recognition

Revenue associated with securities transactions is recorded on a settlement date basis which is not materially different than recording these transactions on a trade date basis.

#### Depreciation

Office equipment with a cost of \$29,397 and accumulated depreciation of \$18,245 is depreciated over its estimated useful life using the straight-line method.

#### Income Taxes

The Company is a Limited Liability Company that has elected to be taxed as a partnership and, with limited exceptions, is not taxed at the corporate level. Instead, its items of income, loss, deduction and credit are passed through to, and taken into account by, its member owners in computing their individual tax liabilities.

## Note 2. Securities Owned and Sold but Not Yet Purchased

Securities owned and sold but not yet purchased consist of trading and investment securities, and are stated at market values, as follows:

	<u>Owned</u>	<u>Sold, Not Yet Purchased</u>
U.S. Governmental obligations	\$ -	\$ 2,320,112
U.S. Agency obligations	3,940,391	
Equity securities	3,300	
Money market account	<u>31</u>	
	<u>\$ 3,943,722</u>	<u>\$ 2,320,112</u>

Securities sold but not yet purchased represent obligations of the Company to deliver the specified security, and thereby create a liability to purchase the security in the market at prevailing prices.

## Note 3. Trading Activities and Related Risks

The Company is actively involved in securities trading and regularly enters into transactions involving derivative embedded financial instruments, primarily interest bearing mortgage-backed and government securities. Positions in these securities are recorded in the accompanying statement of financial condition at market value and are subject to varying degrees of market and credit risk.

Market prices are subject to fluctuation and, as such, the Company is exposed to market risk, or the potential change in value of these financial instruments caused by unfavorable changes in the fair values of the financial instrument. The fair value of the Company's investments will fluctuate in response to changes in market interest rates. Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair values of those instruments. Additionally, fair values of interest rate sensitive instruments may be affected by the credit worthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions. Market risk is directly impacted by the volatility and liquidity in the markets in which financial instruments are traded. The Company monitors its exposure to market risk, or its market risk profile, on a daily basis through a variety of financial, security position and control procedures. U.S. Governmental obligations sold, not yet purchased are held as hedging instruments, with the objective of mitigating this risk.

Note 3. (Continued)

Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of a contract. The Company's exposure to credit risk associated with counterparty nonperformance includes the amortized cost of U.S. Agency obligations owned, cash deposits which may exceed applicable insurance limits and the net replacement cost of securities owned and in a gain position. The Company seeks to control such credit risk by investing in only institutions with high credit quality ratings, maintaining deposits with only high credit quality financial institutions and trading exchange trade financial instruments, which generally do not give rise to significant counterparty exposure due to the margin requirements of the individual exchanges.

The Company engages in the trading of U.S. futures contracts (derivatives) as a hedging instrument. At March 31, 2002, there were no future options open. Net realized and unrealized gains and losses from future options are included in principal transactions revenues in the accompanying statement of operations. For the year ending March 31, 2002, net realized losses on future options written were \$8,440.

Note 4. Clearing Organization

The Company has an agreement with other securities brokers and dealers to act as clearing organizations for the Company. The clearing organizations clear all security transactions and maintain customer accounts.

Note 5. Office Space and Related Party Transactions

The Company leases its office space under a month-to-month operating lease. Rental expense was \$12,155 for the year ended March 31, 2002. The Company shares certain expenses including rent, payroll, and communications equipment with a related party. Reimbursement to the Company for shared expenses is included in receivable from related party at March 31, 2002.

Note 6. Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1). Accordingly, the Company is required to maintain a minimum level of net capital (as defined) of \$100,000. At March 31, 2002, the Company had computed net capital of \$137,117, which was in excess of the required net capital level by \$37,117. In addition, the Company is not allowed to have a ratio of aggregate indebtedness to net capital (as defined) in excess of 15 to 1. At March 31, 2002, the Company's ratio of aggregate indebtedness to net capital was 0.141 to 1.

S U P P L E M E N T A R Y   I N F O R M A T I O N

JENCKS & COMPANY, LLC

SCHEDULE I  
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1  
March 31, 2002

**COMPUTATION OF NET CAPITAL**

Members' equity		\$ 286,441
Deductions		
Unsecured receivables from brokers and dealers	\$ 2,064	
Unsecured receivables from noncustomers	33,049	
Securities not readily marketable (lower of cost or market)	3,300	
Office equipment	11,152	
Other assets	<u>3,331</u>	52,896
Haircuts on security positions		
U.S. Government and Agency obligations		<u>96,428</u>
Net capital		137,117
Minimum net capital		<u>100,000</u>
Excess net capital		<u>\$ 37,117</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Accounts payable and accrued liabilities	\$ <u>19,279</u>
Total aggregate indebtedness	<u>\$ 19,279</u>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6 2/3% of total aggregate indebtedness or \$100,000, whichever is greater)	<u>\$ 100,000</u>
Percentage of aggregate indebtedness to net capital	14.1%
Ratio of aggregate indebtedness to net capital	0.141 to 1

Jencks & Company, LLC is exempt from the computation of reserve requirements pursuant to Rule 15c3-3 under paragraph K(2)(ii).

JENCKS & COMPANY, LLC

SCHEDULE II  
RECONCILIATION BETWEEN THE COMPUTATION OF NET CAPITAL PER  
THE BROKER'S UNAUDITED FOCUS REPORT, PART IIA, AND THE  
AUDITED COMPUTATION OF NET CAPITAL  
March 31, 2002

Net capital per the broker's unaudited Focus Report, Part IIA	\$ 137,117
Adjustments	<u>None</u>
Net capital as recalculated	<u><u>\$ 137,117</u></u>

# PETERSON SULLIVAN P.L.L.C.

601 UNION STREET SUITE 2300 SEATTLE WA 98101 (206) 382-7777 FAX 382-7700  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER  
CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

To the Members  
Jencks & Company, LLC  
Seattle, Washington

In planning and performing our audit of the financial statements and supplemental schedules of Jencks & Company, LLC ("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, 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 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 Securities and Exchange Commission'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 preparation of financial statements in accordance with accounting principles generally accepted in the United States. 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, error 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 error 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 Securities and Exchange 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 March 31, 2002, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies which 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 for any other purpose.

*Peterson Sullivan PLLC*

May 20, 2002