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7/19/02



02023468

S E. COMMISSION

washington, D.C. 20549

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

VF 8-502

**OMB APPROVAL**  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00

**SEC FILE NUMBER**  
8- 37779

**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 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

**NAME OF BROKER-DEALER:**

Tel-Effective Communications, Inc.

**OFFICIAL USE ONLY**  
FIRM ID. NO.

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

1106 Second Street, Suite 183

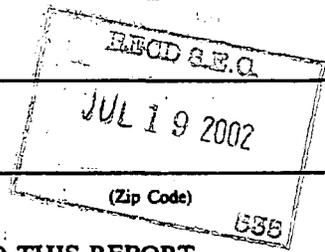
(No. and Street)

Encinitas, CA 92024

(City)

(State)

(Zip Code)



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

Mary R. Mortenson

(760)633-3339

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Gregory R. Miller, CPA Roberts & Miller Accountants, Inc.

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

1102 Second Street, Suite 200 Encinitas, CA 92024

(Address)

(City)

(State)

Zip Code

**CHECK ONE:**

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

PROCESSED  
AUG 07 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 8-502

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

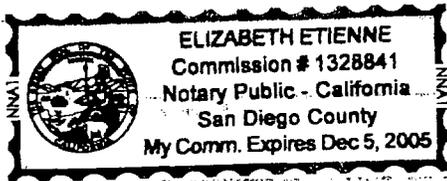
State of California

County of San Diego } SS.

On Feb. 28, 2002, before me, ELIZABETH ETIENNE, Notary Public  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Mary Mortenson  
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence



to be the person  whose name  is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature  on the instrument the person , or the entity upon behalf of which the person  acted, executed the instrument.

WITNESS my hand and official seal.

Elizabeth Etienne  
Signature of Notary Public

Place Notary Seal Above

**OPTIONAL**

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

**Description of Attached Document**

Title or Type of Document: Annual Audit Report - Lessee

Document Date: 1/1/01 - 12/31/01 Number of Pages: 21

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer**

Signer's Name: Mary Mortenson

- Individual
- Corporate Officer — Title(s): owner
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

Signer Is Representing: Tel-Effective Securities Inc.

**RIGHT THUMBPRINT OF SIGNER**

Top of thumb here

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## Part IIA Quarterly 17a-5(a)

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

**FORM  
X-17A-5**

### COVER

Select a filing method:

Basic  Alternate  [0011]

Name of Broker Dealer: TEL-EFFECTIVE SECURITIES, INC. SEC File Number: 8- 37779  
[0013] [0014]

Address of Principal Place of Business: 343 W. "I" STREET  
[0020]

ENCINITAS CA 92024 Firm ID: 19933  
[0021] [0022] [0023] [0015]

For Period Beginning 01/01/2001 And Ending 12/31/2001  
[0024] [0025]

Name and telephone number of person to contact in regard to this report:

Name: MARY R. MORTENSON Phone: 760-633-3339  
[0030] [0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0032] [0033]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0034] [0035]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0036] [0037]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0038] [0039]

Does respondent carry its own customer accounts? Yes  [0040] No  [0041]

Check here if respondent is filing an audited report  [0042]

# ROBERTS & MILLER ACCOUNTANTS, INC.

A Professional Corporation

MEMBER

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
CALIFORNIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

1012 SECOND ST., SUITE 200  
ENCINITAS, CALIFORNIA 92024

760-943-2323  
FAX 760-943-2329

February 28, 2002

Tel-Effective Securities, Inc.  
1106 Second Street, Suite 183  
Encinitas, California 92024

We have audited the accompanying Statement of Financial Condition--Statutory Basis--of Tel-Effective Securities, Inc. as of December 31, 2001, and the related Statements of Computation of Capital--Statutory Basis, Computation of Basic Capital Requirement--Statutory Basis, Statement of Income--Statutory Basis, Statement of Changes in Ownership Equity--Statutory Basis, and Statement of 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 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.

These financial statements were prepared in a format prescribed by Section 15 of the Securities Exchange Act of 1934. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Computation of Net Capital and Other Supplemental Information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tel-Effective Securities, Inc. as of December 31, 2001, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ROBERTS & MILLER ACCOUNTANTS, INC.

*Roberts & Miller Accountants, Inc.*

## ASSETS

		Consolidated <input type="radio"/> [0198]	Unconsolidated <input type="radio"/> [0199]		
		Allowable	Non-Allowable	Total	
1.	Cash	<u>9,254</u> [0200]		<u>9,254</u> [0750]	
2.	Receivables from brokers or dealers:				
	A. Clearance account	<u>          </u> [0295]			
	B. Other	<u>          </u> [0300]	<u>          </u> [0550]	<u>          </u> [0810]	0
3.	Receivables from non-customers	<u>          </u> [0355]	<u>          </u> [0600]	<u>          </u> [0830]	0
4.	Securities and spot commodities owned, at market value:				
	A. Exempted securities	<u>          </u> [0418]			
	B. Debt securities	<u>          </u> [0419]			
	C. Options	<u>          </u> [0420]			
	D. Other securities	<u>          </u> [0424]			
	E. Spot commodities	<u>          </u> [0430]		<u>          </u> [0850]	0
5.	Securities and/or other investments not readily marketable:				
	A. At cost				
		<u>3,300</u> [0130]			
	B. At estimated fair value	<u>          </u> [0440]	<u>3,300</u> [0610]	<u>3,300</u> [0860]	
6.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
	A. Exempted securities	<u>          </u> [0460]	<u>          </u> [0630]	<u>          </u> [0880]	0
		<u>          </u> [0150]			

See Notes to Financial Statements

	B. Other securities			
				[0160]
7.	Secured demand notes market value of collateral:	_____	_____	_____0
		[0470]	[0640]	[0890]
	A. Exempted securities			
				[0170]
	B. Other securities			
				[0180]
8.	Memberships in exchanges:			
	A. Owned, at market			
				[0190]
	B. Owned, at cost		_____	
			[0650]	
	C. Contributed for use of the company, at market value		_____	_____0
			[0660]	[0900]
9.	Investment in and receivables from affiliates, subsidiaries and associated partnerships	_____	_____	_____0
		[0480]	[0670]	[0910]
10.	Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	_____	_____	_____0
		[0490]	[0680]	[0920]
11.	Other assets	_____	_____	_____0
		[0535]	[0735]	[0930]
12.	<b>TOTAL ASSETS</b>	_____9,254	_____3,300	_____12,554
		[0540]	[0740]	[0940]

## LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable	<u>                    </u> [1045]	<u>                    </u> [1255]	<u>                    </u> 0 [1470]
14. Payable to brokers or dealers:			
A. Clearance account	<u>                    </u> [1114]	<u>                    </u> [1315]	<u>                    </u> 0 [1560]
B. Other	<u>                    </u> [1115]	<u>                    </u> [1305]	<u>                    </u> 0 [1540]
15. Payable to non-customers	<u>                    </u> [1155]	<u>                    </u> [1355]	<u>                    </u> 0 [1610]
16. Securities sold not yet purchased, at market value		<u>                    </u> [1360]	<u>                    </u> 0 [1620]
17. Accounts payable, accrued liabilities, expenses and other	<u>                    </u> [1205]	<u>                    </u> [1385]	<u>                    </u> 0 [1685]
18. Notes and mortgages payable:			
A. Unsecured	<u>                    </u> [1210]		<u>                    </u> 0 [1690]
B. Secured	<u>                    </u> [1211]	<u>                    </u> [1390]	<u>                    </u> 0 [1700]
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders		<u>                    </u> [1400]	<u>                    </u> 0 [1710]
	<u>                    </u> [0970]		
2. Includes equity subordination (15c3-1(d)) of			
	<u>                    </u> [0980]		
B. Securities borrowings, at market value:		<u>                    </u> [1410]	<u>                    </u> 0 [1720]

from outsiders

	[0990]		
C.	Pursuant to secured demand note collateral agreements:		0
		[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		0
		[1430]	[1740]
E.	Accounts and other borrowings not qualified for net capital purposes		0
	[1220]	[1440]	[1750]
20.	<b>TOTAL LIABILITIES</b>	0	0
	[1230]	[1450]	[1760]

## Ownership Equity

	<b>Total</b>
21. Sole proprietorship	[1770]
22. Partnership (limited partners [1020] )	[1780]
23. Corporations:	
A. Preferred stock	[1791]
B. Common stock	10,000
C. Additional paid-in capital	[1792]
D. Retained earnings	44,996
	[1793]
	-42,442
	[1794]

E.	Total	<u>12,554</u>
		[1795]
F.	Less capital stock in treasury	<u>          </u>
		[1796]
24.	<b>TOTAL OWNERSHIP EQUITY</b>	<u>12,554</u>
		[1800]
25.	<b>TOTAL LIABILITIES AND OWNERSHIP EQUITY</b>	<u>12,554</u>
		[1810]



a.	Includes interest on accounts subject to subordination agreements	_____	[4070]
14.	Regulatory fees and expenses	_____	825 [4195]
15.	Other expenses- Accounting \$764/Franchise Tax \$850	_____	1,705 [4100]
16.	Total expenses	_____	2,530 [4200]
<b>NET INCOME</b>			
17.	Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16)	_____	921 [4210]
18.	Provision for Federal Income taxes (for parent only)	_____	[4220]
19.	Equity in earnings (losses) of unconsolidated subsidiaries not included above	_____	[4222]
a.	After Federal income taxes of	_____	[4238]
20.	Extraordinary gains (losses)	_____	[4224]
a.	After Federal income taxes of	_____	[4239]
21.	Cumulative effect of changes in accounting principles	_____	[4225]
22.	Net income (loss) after Federal income taxes and extraordinary items	_____	921 [4230]
<b>MONTHLY INCOME</b>			
23.	Income (current monthly only) before provision for Federal income taxes and extraordinary items	_____	3,169 [4211]

TEL-EFFECTIVE SECURITIES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Cash Flows from Operating Activities:	
Net Income	\$ 921
Adjustments to Reconcile Net Income to	
Net Cash Provided by Operating Activities:	
Cash Flows From Financing Activities:	
Proceeds From Increase in Paid in Capital	2,300
	<hr/>
Net Decrease in Cash and Cash Equivalents	3,221
Cash and Cash Equivalents - January 1, 2001	6,033
Cash and Cash Equivalents - December 31, 2001	<hr/>
	\$ 9,254
	=====

SEE NOTES TO FINANCIAL STATEMENTS

SEE NOTES TO FINANCIAL STATEMENTS  
TEL-EFFECTIVE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2001

1. General

The Company is a non-clearing, no holdings broker. It collects commissions on the sale of securities.

2. Summary of Significant Accounting Policies

The Company prepares its financial statements on the accrual basis of accounting. There were no accruals necessary at year end.

The Company is registered to do business in the State of Delaware and operates out of California. It files the necessary reports with both states and pays franchise tax to both. For Federal income tax purposes, the Company has a net operating loss carryforward of \$32,150 to be applied against income in 2002.

TEL-EFFECTIVE SECURITIES, INC.  
DECEMBER 31, 2001

ADDITIONAL INFORMATION

## EXEMPTIVE PROVISIONS

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

- A. (k) (1)--Limited business (mutual funds and/or variable annuities only)  [4550]
- B. (k) (2)(i)--"Special Account for the Exclusive Benefit of customers" maintained  [4560]
- C. (k) (2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)  [4570]

Clearing Firm SEC#s	Name	Product Code
8- _____ [4335A]	_____ [4335A2]	_____ [4335B]
8- _____ [4335C]	_____ [4335C2]	_____ [4335D]
8- _____ [4335E]	_____ [4335E2]	_____ [4335F]
8- _____ [4335G]	_____ [4335G2]	_____ [4335H]
8- _____ [4335I]	_____ [4335I2]	_____ [4335J]

- D. (k) (3)--Exempted by order of the Commission  [4580]

## COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition		<u>12,554</u>
			[3480]
2.	Deduct ownership equity not allowable for Net Capital		<u></u>
			[3490]
3.	Total ownership equity qualified for Net Capital		<u>12,554</u>
			[3500]
4.	Add:		
	A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		<u>0</u>
			[3520]
	B. Other (deductions) or allowable credits (List)		
		<u></u>	<u></u>
	[3525A]	[3525B]	
	<u></u>	<u></u>	
	[3525C]	[3525D]	
	<u></u>	<u></u>	<u>0</u>
	[3525E]	[3525F]	[3525]
5.	Total capital and allowable subordinated liabilities		<u>12,554</u>
			[3530]
6.	Deductions and/or charges:		
	A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	<u>3,300</u>	
		[3540]	
	B. Secured demand note deficiency	<u></u>	
		[3590]	
	C. Commodity futures contracts and spot commodities - proprietary capital charges	<u></u>	
		[3600]	
	D. Other deductions and/or charges	<u></u>	<u>-3,300</u>
		[3610]	[3620]
7.	Other additions and/or credits (List)		
		<u></u>	<u></u>
	[3630A]	[3630B]	
	<u></u>	<u></u>	
	[3630C]	[3630D]	
	<u></u>	<u></u>	<u>0</u>
	[3630E]	[3630F]	[3630]
8.	Net capital before haircuts on securities positions		<u>9,254</u>
			[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		[3734]	
D.	Undue Concentration		[3650]	
E.	Other (List)			
	<u>CERTIFICATE OF DEPOSIT</u>		<u>15</u>	
	[3736A]		[3736B]	
	[3736C]		[3736D]	
	[3736E]		[3736F]	
			<u>15</u>	<u>-15</u>
			[3736]	[3740]
10.	Net Capital			<u>9,239</u>
				[3750]

### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

#### Part A

11.	Minimum net capital required (6-2/3% of line 19)		<u>0</u>	
			[3756]	
12.	Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u>		<u>5,000</u>	
			[3758]	
13.	Net capital requirement (greater of line 11 or 12)		<u>5,000</u>	
			[3760]	
14.	Excess net capital (line 10 less 13)		<u>4,239</u>	
			[3770]	
15.	Excess net capital at 1000% (line 10 less 10% of line 19)		<u>9,239</u>	
			[3780]	

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16.	Total A.I. liabilities from Statement of Financial Condition		0 [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)		
	[3820A]	[3820B]	
	[3820C]	[3820D]	
	[3820E]	[3820F]	
		0 [3820]	0 [3830]
19.	Total aggregate indebtedness		0 [3840]
20.	Percentage of aggregate indebtedness to net capital (line 19 / line 10)	%	0 [3850]

**OTHER RATIOS**

21.	Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%	0 [3860]
-----	--	---	-------------

## SCHEDULED WITHDRAWALS

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	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
[4600]	[4601]	[4602]	[4603]	[4604]	[4605]
[4610]	[4611]	[4612]	[4613]	[4614]	[4615]
[4620]	[4621]	[4622]	[4623]	[4624]	[4625]
[4630]	[4631]	[4632]	[4633]	[4634]	[4635]
[4640]	[4641]	[4642]	[4643]	[4644]	[4645]
[4650]	[4651]	[4652]	[4653]	[4654]	[4655]
[4660]	[4661]	[4662]	[4663]	[4664]	[4665]
[4670]	[4671]	[4672]	[4673]	[4674]	[4675]
[4680]	[4681]	[4682]	[4683]	[4684]	[4685]
[4690]	[4691]	[4692]	[4693]	[4694]	[4695]
TOTAL			0		
			\$	[4699]	

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 payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

Withdrawal Code	Description
1	Equity Capital
2	Subordinated Liabilities
3	Accruals
4	15c3-1(c)(2)(iv) Liabilities

## STATEMENT OF CHANGES

---

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

1.	Balance, beginning of period		<u>9,333</u>
			[4240]
A.	Net income (loss)		<u>921</u>
			[4250]
B.	Additions (includes non-conforming capital of	<u>2,300</u>	<u>2,300</u>
		[4262] )	[4260]
C.	Deductions (includes non-conforming capital of	<u></u>	<u></u>
		[4272] )	[4270]
2.	Balance, end of period (From item 1800)		<u>12,554</u>
			[4290]

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

3.	Balance, beginning of period		<u></u>
			[4300]
A.	Increases		<u></u>
			[4310]
B.	Decreases		<u></u>
			[4320]
4.	Balance, end of period (From item 3520)		<u>0</u>
			[4330]

TEL-EFFECTIVE SECURITIES, INC.  
OTHER SUPPLEMENTAL INFORMATION  
DECEMBER 31, 2001

Because Tel-Effective Securities, Inc. is a non-clearing broker with no holdings, the financial statements do not encompass the information necessary to prepare the following reports and statements:

- Computation of Reserve Requirements pursuant to Rule 15c3-3
- Information relating to Possession or Control Requirements under Rule 15c3-3
- A reconciliation pursuant to Rule 17a-5(d) (4)
- A Supplemental Report pursuant to Rule 17a-5(d) (4)

# ROBERTS & MILLER ACCOUNTANTS, INC.

A Professional Corporation

MEMBER

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

CALIFORNIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

1012 SECOND ST., SUITE 200  
ENCINITAS, CALIFORNIA 92024

760-943-2323

FAX 760-943-2329

February 28, 2002

Mary Mortenson  
c/o Tel-Effective Securities, Inc.  
1106 Second Street, Suite 183  
Encinitas, California 92024

In planning and performing our audit of the financial statements of Tel-Effective Securities, Inc. for the year ended December 31, 2001, we considered the Company's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements.

Per the requirements of Section 17a-5, paragraph (g) (3) of the NASD Manual-Regulation T and SEC Rules, we performed an examination of the internal accounting controls of Tel-Effective Securities, Inc. for the year ended December 31, 2001. During our examination we found no conditions which would inhibit Tel-Effective Securities, Inc. from promptly completing securities transactions or which would cause it not to promptly discharge its responsibilities to customers, other brokers and dealers or creditors, or which would result in material financial loss, material misstatements in its financial statements, or result in violations of the Commission's recordkeeping or financial responsibility rules to an extent that could reasonably be expected to result in the conditions described in paragraph (g) (3) (i), (ii), or (iii) of Section 17a-5.

Due to the activity level of the corporation, the internal accounting controls are adequate. As business expands, other controls may be set in place to protect the business assets.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with you, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

ROBERTS & MILLER ACCOUNTANTS, INC.

*Roberts & Miller Accountants, Inc.*