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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 2053266



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

**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 11/1/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

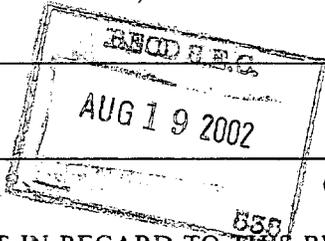
NAME OF BROKER-DEALER:

Lugano Group INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

New Orleans (City) LA (State) 70170 (Zip Code)



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

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Charles E. Webb

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

(Address) (City) (State) Zip Code

CHECK ONE:

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

PROCESSED

SEP 20 2002

THOMSON  
FINANCIAL

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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).

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8/12/02

## INDEPENDENT AUDITOR'S REPORT

The Lugano Group Incorporated  
201 St. Charles Avenue - Ste. 2500  
New Orleans, LA 70170-2500

I have audited the accompanying statement of financial condition of The Lugano Group Incorporated as of December 31, 2001 and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lugano Group Incorporated at 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.

My audit was made 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 the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.



Charles F. Webb  
Certified Public Accountant

March 29, 2002

THE LUGANO GROUP, INCORPORATED  
STATEMENT OF FINANCIAL CONDITION  
December 31, 2001

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**ASSETS**

Cash and cash equivalents	\$	21,239
Commissions receivable		3,239
Secured demand notes collateralized by investments		13,000
Furniture and equipment, net of accumulated depreciation of \$12,432		0
Organization Cost, net of accumulated amortization of \$12,420		0
Investment - NASD Warrants		<u>10,400</u>
Total Assets	\$	<u>47,878</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Accrued Expenses	\$	<u>5,958</u>
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**SUBORDINATED LIABILITIES**

Liabilities subordinated to the claims of general creditors		<u>13,000</u>
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**STOCKHOLDERS' EQUITY**

Common stock, \$1.00 par value, 10,000 authorized, 100 shares issued and outstanding		100
Contributed capital		44,214
Retained earnings		<u>(15,394)</u>
		<u>28,920</u>

Total Liabilities and Stockholders' Equity	\$	<u>47,878</u>
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See notes to financial statements.

**THE LUGANO GROUP, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended December 31, 2001**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The Lugano Group Incorporated was incorporated May 9, 1995 for the purpose of engaging in securities brokerage and investment research.

The accompanying financial statements have been prepared in accordance with generally accepted principles. The company maintains a modified accrual basis of accounting where revenues are recognized in the accounting period in which they become measurable and expenditures are recorded when incurred.

Property and equipment are recorded at cost. When property is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included as income. Maintenance and repairs are expense as incurred.

Depreciation is provided using the straight line methods over the useful lives of respective assets as follows -

Equipment	5 years
Furniture and fixtures	3-7 years

The amortization of organizational cost is for a period of sixty months beginning with the month the corporation commences business.

**NOTE 2 - NET CAPITAL REQUIREMENTS**

The company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of a minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 for the first year of operation and 15 to 1 thereafter. At December 31, 2001, the Company had net capital of \$10,403, which was \$5,403 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was .57 to 1.

### **NOTE 3 - SECURED DEMAND NOTE**

This amount represents loans to the Company collateralized by certificate of deposit. At December 31, 2001, the value of the certificate collateralized is \$13,500.

### **NOTE 4 - COMMITMENT**

The Company's lease for office space expires May 2002 and provides for an annual rent of \$12,000 and an option to renew for an additional 3 years at annual rental to be negotiated based on fair market rentals.

### **NOTE 5 - INSURANCE RISK**

The Company has a fidelity bond with Theodore Liftman Insurance, Inc. The limit of liability is \$25,000, and the deductible amount is \$5,000.