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

AK 8/28/02

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

SEC FILE NUMBER  
8- 26019

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 July 1, 2001 AND ENDING June 30, 2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Investors Properties, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
3724 Thomas Point Road

(No. and Street)

Annapolis

MD

21403

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
C. Lee Slagle (410) 263-1420

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Goodman & Company

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

1430 Spring Hill Road, Suite 300

McLean, Virginia

22102-3000

(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 18 2002**

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THOMSON FINANCIAL

\*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 (05-01)

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OATH OR AFFIRMATION

I, C. Lee Slagle, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Investors Properties, Inc., as of June 30, 20 02, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

C. Lee Slagle  
Signature

President  
Title

Angela Anderson, Jr.  
Notary Public commission expires 12/23/05

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 Proprietors' 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 15c3-3 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.
- (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  
YEAR ENDED  
June 30, 2002***

***Investors Properties, Inc.***

*Goodman & Company, L.L.P.*  
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**INVESTORS PROPERTIES, INC.**

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**REPORT OF INDEPENDENT AUDITORS**

The Board of Directors  
***Investors Properties, Inc.***

We have audited the accompanying statement of financial condition for noncarrying, nonclearing and certain other brokers or dealers of ***Investors Properties, Inc.***, (the "Company") as of June 30, 2002, and the related statements of income (loss), changes in ownership equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that are being filed pursuant to Rule 17a-5 under the Securities and 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.

These financial statements are presented in the format pursuant to Section 17 of the Securities and Exchange Act of 1934 and Rule 17a-5 thereunder.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Investors Properties, Inc.*** as of June 30, 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.

McLean, Virginia  
August 8, 2002

1430 Spring Hill Road, Suite 300, McLean, VA 22102-3000  
ph: 703.970.0400 fax: 703.970.0401 [www.goodmanco.com](http://www.goodmanco.com)

A Member of  Associates, Inc.  
Members American Institute of Certified Public Accountants

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

BROKER OR DEALER Investors Properties, Inc.

**N 3**

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**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND  
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) June 30, 2002

SEC FILE NO. 8-2019

Consolidated		99
Unconsolidated		98
		198
		199

**ASSETS**

Allowable

Non-Allowable

Total

1. Cash .....	\$	32,257	200	\$	32,257	750
2. Receivables from brokers or dealers:						
A. Clearance account .....	▼		295			
B. Other .....			300	\$	550	810
3. Receivables from non-customers .....		38	355		38	830
4. Securities and spot commodities owned, at market value:						
A. Exempted securities .....			418			
B. Debt securities .....			419			
C. Options .....			420			
D. Other securities .....			424			
E. Spot commodities .....	▼		430			850
5. Securities and/or other investments not readily marketable:						
A. At cost ▼ \$ <u>44,900</u> .....						130
B. At estimated fair value .....			440		44,900	610
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:						
A. Exempted securities \$ .....						150
B. Other securities \$ .....						160
7. Secured demand notes: .....			470		640	890
market value of collateral:						
A. Exempted securities \$ .....						170
B. Other securities \$ .....						180
8. Memberships in exchanges:						
A. Owned, at market \$ .....						190
B. Owned, at cost .....					650	
C. Contributed for use of the company, at market value .....	▼				660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....			480		670	910
0. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....			490		680	920
1. Other assets .....			535		735	930
2. TOTAL ASSETS .....	▼ \$	32,295	540	\$	44,900	740
				\$	77,195	940

OMIT PENNIES

*The accompanying notes are an integral part of these financial statements.*

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**

Investors Properties, Inc.

as of June 30, 2002

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING  
AND CERTAIN OTHER BROKERS OR DEALERS**

**LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable .....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	85 1205	1385	85 1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		1690
B. Secured .....	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders \$ 970			
2. Includes equity subordination (15c3-1 (d)) of .... \$ 980			
B. Securities borrowings, at market value:...		1410	1720
from outsiders \$ 990			
C. Pursuant to secured demand note collateral agreements: .....		1420	1730
1. from outsider: \$ 1000			
2. Includes equity subordination (15c3-1 (d)) of .... \$ 1010			
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. TOTAL LIABILITIES .....	\$ 85 1230	\$ 1450	\$ 85 1760

**Ownership Equity**

21. Sole proprietorship .....		\$ 1770
22. Partnership (limited partners .....	\$ 1020	\$ 1780
23. Corporation:		
A. Preferred stock		1791
B. Common stock 10,000 share authorized, .10 par value; 10,000 shares issued and outstanding		1,000 1792
C. Additional paid-in capital .....		60,300 1793
D. Retained earnings .....		15,810 1794
E. Total .....		77,110 1795
F. Less capital stock in treasury .....		1796
24. TOTAL OWNERSHIP EQUITY .....		\$ 77,110 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....		\$ 77,195 1810

OMIT PENNIES

The accompanying notes are an integral part of these financial statements.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** Investors Properties, Inc.

For the period (MMDDYY) from 7/30/01 3932 to 6/30/02 3933  
 Number of months included in this statement 12 3931

**STATEMENT OF INCOME (LOSS)**

**REVENUE**

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$		3935
b. Commissions on listed option transactions	✓		3938
c. All other securities commissions			3939
d. Total securities commissions			3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			3945
b. From all other trading			3949
c. Total gain (loss)			3950
3. Gains or losses on firm securities investment accounts			3952
4. Profit (loss) from underwriting and selling groups	✓		3955
5. Revenue from sale of investment company shares		45,344	3970
6. Commodities revenue			3990
7. Fees for account supervision, investment advisory and administrative services			3975
8. Other revenue		823	3995
9. Total revenue	\$	46,167	4030

**EXPENSES**

10. Salaries and other employment costs for general partners and voting stockholder officers	\$	43,000	4120
11. Other employee compensation and benefits	✓		4115
12. Commissions paid to other broker-dealers			4140
13. Interest expense			4075
a. Includes interest on accounts subject to subordination agreements		4070	
14. Regulatory fees and expenses		936	4195
15. Other expenses		3,003	4100
16. Total expenses	\$	46,939	4200

**NET INCOME**

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	(772)	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	\$	(772)	4230

**MONTHLY INCOME**

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$		4211
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The accompanying notes are an integral part of these financial statements. 4

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** Investors Properties, Inc.

For the period (MMDDYY) from 7/1/01 to 6/30/02

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

1. Balance, beginning of period .....	\$		77,882	4240
A. Net income (loss) .....			(772)	4250
B. Additions (Includes non-conforming capital of .....	\$	4262		4260
C. Deductions (Includes non-conforming capital of .....	\$	4272		4270
2. Balance, end of period (From item 1800) .....	\$		77,110	4290

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

3. Balance, beginning of period .....	\$		0	4300
A. Increases .....				4310
B. Decreases .....				4320
4. Balance, end of period (From item 3520) .....	\$		0	4330

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**INVESTORS PROPERTIES, INC.**

**STATEMENT OF CASH FLOWS**

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**Year Ended June 30, 2002**

---

**Cash flows from operating activities**

Net loss \$ (772)

Adjustments to reconcile to net cash from operating activities -

Change in:

Receivables from non-customers 108

Accounts payable, accrued liabilities, expenses and other (86)

---

**Net cash used by operating activities (750)**

---

**Net change in cash (750)**

---

**Cash - beginning of year 33,007**

---

**Cash - end of year \$ 32,257**

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*The accompanying notes are an integral part of these financial statements.*

**INVESTORS PROPERTIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2002**

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**1. Organization and Nature of Business**

*Investors Properties, Inc.*, (the "Company") is a securities broker-dealer selling investment Company shares on a commission basis. The Company does not handle customer funds or securities. The Company's clients are located mainly within the Washington, DC metropolitan area.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements are presented in the format required by S.E.C. Rule 17a-5.

**Investments Securities**

Investment securities are carried at cost for income tax reporting and financial reporting.

**Income Taxes**

The company accounts for income taxes using the liability method, under which deferred tax assets and liabilities are determined based on the differences between financial statement and tax basis carrying amounts of existing assets and liabilities. As of June 30, 2002, there were no temporary differences between financial and tax basis.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 reporting period. Actual results could differ from those estimates.

### **3. Investment Securities**

Investment securities consist of stock held in the NASDAQ Stock Market, Inc. Since these securities do not have a public market, they are carried at cost and as a non-allowable asset pursuant to S.E.C. Reporting Requirements.

### **4. Operating Loss**

The Company's net operating loss of \$772 may be carried forward to offset future taxable income.

### **5. Net Capital and Ratio of Aggregate Indebtedness**

As a registered broker-dealer selling investment company shares on a commission basis, the Company is subject to S.E.C. Rule 15c3-1(2), as amended, which requires a minimum net capital of \$5,000 and limits the maximum ratio of aggregate indebtedness to net capital of 15 to 1. The object of this rule is to require a broker-dealer to constantly maintain sufficient liquid assets to cover its current indebtedness; that is, it prohibits a broker-dealer from allowing its aggregate indebtedness to exceed fifteen times its net capital as defined under the rule. As of June 30, 2002, the Company's aggregate indebtedness was \$85 and its net capital was \$32,210, yielding a ratio of 0.003 to 1. The Company's net capital, as defined, exceeds the minimum required net capital of \$5,000 by \$27,210.

\* \* \* \* \*



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**REPORT OF INDEPENDENT AUDITORS ON  
SUPPLEMENTARY INFORMATION REQUIRED BY  
S.E.C. RULE 17a-5**

Board of Directors  
***Investors Properties, Inc.***

We have audited the accompanying financial statements of ***Investors Properties, Inc.*** for the year ended June 30, 2002, and have issued our report thereon, dated August 8, 2002. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 10 to 14 that follow 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 under the Securities and Exchange Act of 1934. 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.

McLean, Virginia  
August 8, 2002

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** Investors Properties, Inc.

as of June 30, 2002

**COMPUTATION OF NET CAPITAL**

1. Total ownership equity from Statement of Financial Condition.....	\$	77,110		3480
2. Deduct ownership equity not allowable for Net Capital.....	19		(1,120)	3490
3. Total ownership equity qualified for Net Capital.....		77,110		3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital.....				3520
B. Other (deductions) or allowable credits (List).....				3525
5. Total capital and allowable subordinated liabilities.....	\$	77,110		3530
6. Deductions and/or charges:				
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C).....	17	\$ 44,900		3540
B. Secured demand note deficiency.....				3590
C. Commodity futures contracts and spot commodities- proprietary capital charges.....				3600
D. Other deductions and/or charges.....				3610
			( 44,900 )	3620
7. Other additions and/or allowable credits (List).....				3630
8. Net capital before haircuts on securities positions.....	20			\$ 32,210
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.....	18			3735
2. Debt securities.....				3733
3. Options.....				3730
4. Other securities.....				3734
D. Undue Concentration.....				3650
E. Other (List).....				3736
			( 3740 )	3740
10. Net Capital.....	\$	32,210		3750

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** Investors Properties, Inc.

as of June 30, 2002

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19) .....	\$	6	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	5,000	3760
14. Excess net capital (line 10 less 13) .....	\$	27,210	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	32,201	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	85	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) .....	\$	3820	
19. Total aggregate indebtedness .....	\$	85	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) .....	%	.3	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) .....	%	0	3860

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	3880
24. Net capital requirement (greater of line 22 or 23) .....	\$	3760
25. Excess net capital (line 10 less 24) .....	\$	3910
26. Net capital in excess of:		
5% of combined aggregate debit items or \$120,000 .....	\$	3920

OMIT PENNIES

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

3/83 See independent auditors' report on supplementary information.

***INVESTORS PROPERTIES, INC.***

**Reconciliation of Net Capital and Aggregate Indebtedness as  
Reported by Respondent to Net Capital and Aggregate Indebtedness  
Reported on Audit Report June 30, 2002**

There are no material differences between the respondent's computation of net capital and aggregate indebtedness and the audit report's computation of net capital and aggregate indebtedness.

*See independent auditors' report on supplementary information.*

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** Investors Properties, Inc.

as of June 30, 2002

**Exemptive Provision Under Rule 15c3-3**

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

- |  |             |             |
|--|-------------|-------------|
| A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 .....   |             | <b>4550</b> |
| B. (k) (2)(A)—“Special Account for the Exclusive Benefit of customers” maintained .....  | X           | <b>4560</b> |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm <sup>▼</sup> <sub>31</sub> ..... | <b>4335</b> | <b>4570</b> |
| D. (k) (3)—Exempted by order of the Commission .....   |             | <b>4580</b> |

**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 See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be With- drawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)
32 4600	4601	4602	4603	4604	4605
33 4610	4611	4612	4613	4614	4615
34 4620	4621	4622	4623	4624	4625
35 4630	4631	4632	4633	4634	4635
36 4640	4641	4642	4643	4644	4645
37 4650	4651	4652	4653	4654	4655
38 4660	4661	4662	4663	4664	4665
39 4670	4671	4672	4673	4674	4675
40 4680	4681	4682	4683	4684	4685
41 4690	4691	4692	4693	4694	4695

TOTAL \$ -0- 4699

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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



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**REPORT ON INTERNAL ACCOUNTING CONTROL**

**REQUIRED BY S.E.C. RULE 17a-5**

Board of Directors  
***Investors Properties, Inc.***

In planning and performing our audit of the financial statements and supplemental schedules of ***Investors Properties, Inc.*** (the "Company"), for the year ended June 30, 2002, we considered its internal control, including control of 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 (S.E.C.), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we consider relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provision 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

Management 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 S.E.C.'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 conformity with generally accepted accounting practices. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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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 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.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the S.E.C. 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 upon our findings during the course of such audit, we are required to comment on any material inadequacies found to exist in the accounting system and internal accounting control. Due to the current size of your operation, it is not possible for you to meet the standards required for adequate internal control. However, our study and evaluation disclosed no condition that we believe to be a material weakness based upon the limited constraints of *Investors Properties, Inc.*

This report is intended solely for the information and use of the Board of Directors, management, the S.E.C., and other regulatory agencies that rely on rule 17a-5(g) under the Securities and 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.

A handwritten signature in cursive script that reads "Goodman & Company".

McLean, Virginia  
August 8, 2002