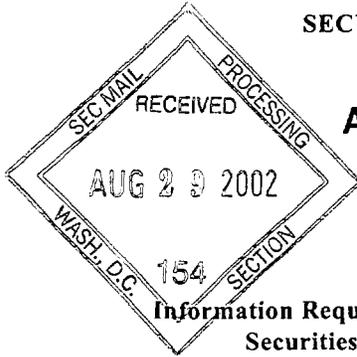


UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2001
Estimated average burden
hours per response..... 12.00



ANNUAL AUDITED REPORT
FORM X-17
PART III



SEC FILE NUMBER
8- 38156

FACING PAGE 02054047

Information Required of Brokers and Dealers
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:
Intervest International Equities Corporation
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1980 Dominion Way, Suite 202

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
Colorado Springs CO 80918
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
David M. Smith, President (719) 592-9299
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Cornelius, Schou, Leone & Matteson, LLC, Certified Public Accountants
(Name - if individual, state last, first, middle name)

4496 Southside Boulevard Jacksonville FL 32216
(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 19 2002

FOR OFFICIAL USE ONLY
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) Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Robert E. Copus, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Intervest International Equities Corporation, as of June 30, 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:

COUNTY OF EL PASO
STATE OF COLORADO

Robert E. Copus
Signature

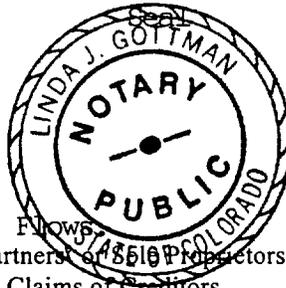
Vice President - Operations

Title

Signed before me on this 28th day of AUGUST, 2002.

Commission Expires: 9/19/04

Linda J. Gottman
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~~ Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' ~~and~~ 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, Supporting Schedules
and Other Reports**

Interinvest International Equities Corporation

*Year Ended June 30, 2002
with Report of Independent Auditors*

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Cornelius
Schou
Leone &
Matteson

A Limited Liability Company
Certified Public Accountants

Report of Independent Auditors

Board of Directors
Intervest International Equities Corporation
Colorado Springs, Colorado

We have audited the accompanying statement of financial condition of Interinvest International Equities Corporation, a Florida Corporation, as of June 30, 2002, and the related statements of income, changes in stockholder's 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 U.S. 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 Interinvest International Equities Corporation as of June 30, 2002, and the results of their operations and their cash flows for the year then ended in conformity with U.S. 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 pages 14 through 19 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.

Cornelius, Schou, Leone & Matteson, LLC

July 18, 2002

**FORM
X-17A-5**

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

12/88

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) 16
- 2) Rule 17a-5(b) 17
- 3) Rule 17a-11 18
- 4) Special request by designated examining authority 19
- 5) Other 26

NAME OF BROKER-DEALER

SEC FILE NO.

Intervest International Equities Corporation 13

8-38156 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

FIRM ID. NO.

1980 Dominion Way, Suite 202 20

CRD #20289 15

(No. and Street)

FOR PERIOD BEGINNING (MM/DD/YY)

07/01/01 24

Colorado Springs 21 CO 22 80918 23

AND ENDING (MM/DD/YY)

06/30/02 25

(City)

(State)

(Zip Code)

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

(Area Code)—Telephone No.

David M. Smith 30

(719) 592-9299 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

32 33

34 35

36 37

38 39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS?

YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT

42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 28TH day of August 2002
Manual signatures of:

1) _____
Principal Executive Officer or Managing Partner

2) David M. Smith
Principal Financial Officer or Partner

3) _____
Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Name (If individual, state last, first, middle name)

Cornelius, Schou, Leone & Matteson, LLC

70

ADDRESS	Number and Street	City	State	Zip Code
4496 Southside Boulevard		Jacksonville	FL	32216
	71	72	73	74

Check One

Certified Public Accountant

75

FOR SEC USE

Public Accountant

76

Accountant not resident in United States or any of its possessions

77

DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

Intervest International Equities Corporation
Statement of Financial Condition
June 30, 2002

Assets

Cash	\$ 187,710
Accounts receivable	270,992
Deposit with clearing organization (cash)	25,000
Investments - at cost	33,100
Other assets	1,331

Total Assets \$ 518,133

Liabilities and Stockholder's Equity

Liabilities:

Commissions payable \$ 276,180

Stockholder's Equity:

Common stock - 7,500 shares, \$1.00 par value
authorized, 200 shares issued and outstanding 200
Additional paid-in capital 13,842
Retained earnings 227,911

Total Stockholder's Equity 241,953

Total Liabilities and Stockholder's Equity \$ 518,133

See accountants' report.

Intervest International Equities Corporation
Statement of Income
Year Ended June 30, 2002

Revenues:

Mutual funds and variable products	\$ 5,045,352
Commissions	161,664
Direct participation programs	55,276
Interest	<u>796</u>

Total Revenues 5,263,088

Expenses:

Commissions	4,433,733
Overhead reimbursements to parent company	655,000
Other operating expense	<u>49,439</u>

Total Expenses 5,138,172

Net Income Before Income Taxes 124,916

Provision For Income Taxes:

Current	-
Deferred	<u>-</u>

Net Income \$ 124,916

See accountants' report.

Intervest International Equities Corporation
Statement of Changes in Stockholder's Equity
Year Ended June 30, 2002

	Common Stock	Additional Paid-In Capital	Retained Earnings
Balance at July 1, 2001	\$ 200	\$ 13,842	\$ 102,995
Net Income	-	-	124,916
Balance at June 30, 2002	<u>\$ 200</u>	<u>\$ 13,842</u>	<u>\$ 227,911</u>

See accountants' report.

Intervest International Equities Corporation
Statement of Cash Flows
Year Ended June 30, 2002

Cash Flows From Operating Activities

Net income	<u>\$ 124,916</u>
Adjustments to reconcile net income to net cash Provided by operating activities:	
Increase in receivables	(188,499)
Increase in other assets	(726)
Increase in payables	<u>186,181</u>
Total Adjustments	<u>(3,044)</u>
Net Cash Provided By Operating Activities	121,872
Cash at July 1, 2001	<u>65,838</u>
Cash at June 30, 2002	<u><u>\$ 187,710</u></u>

See accountants' report.

Intervest International Equities Corporation
Notes to Financial Statements
Year Ended June 30, 2002

The company (originally named Kickapoo Securities Corp.) was organized under the laws of the State of Texas on June 11, 1987, to conduct business as a broker/dealer in securities registered with the Securities and Exchange Commission (SEC). On July 6, 1987, the company made application with the SEC for registration as a broker or dealer pursuant to Section 15(b) of the Securities Exchange Act; such application was approved on July 31, 1987. The company was acquired by, and became a wholly-owned subsidiary of Intervest International, Inc. (III), during January, 1988. Operations actually commenced during February, 1988. Effective March 31, 1988, the company was merged into a newly-organized Florida corporation (also owned by III) named Intervest International Equities Corporation. Such merger was acknowledged by the State of Texas on July 6, 1988. The merger transaction was accounted for as a pooling of interests. On May 31, 1994, Programmed Equities Corporation (PEC), a California corporation, was merged into III. III has contributed the net assets and on-going business of PEC, a licensed broker/dealer, to the company.

1. Significant Accounting Policies

The company uses the cash method of reporting for federal income tax purposes, and the accrual method for financial and regulatory reporting purposes. Financial net income is reconciled with taxable income as follows:

Income before income taxes for the year ended June 30, 2002	\$ 124,916
Add operating expenses included in accounts payable at year end	276,181
Less income included in commissions receivable at year end	(270,384)
Less operating expenses included in accounts payable at beginning of year	(89,999)
Add income included in commissions receivable at beginning of year	<u>82,493</u>
Taxable income	<u>\$ 123,207</u>

Intervest International Equities Corporation
Notes to Financial Statements (continued)
Year Ended June 30, 2002

1. Significant Accounting Policies (continued)

Due to the parent company's net operating loss carryover, there is no current provision for income taxes. The deferred tax asset account has been adjusted to zero.

For purposes of the statement of cash flows, the company considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Revenues are recognized when customers' funds are received by sponsors/underwriters. Operating expenses, including commissions, are recognized as incurred.

2. Commitments and Contingent Liabilities

The company has an agreement with III, its parent company, whereby the company reimburses III for its share of common overhead expenses, including the following: office space and equipment, administrative personnel, telephone, parking, postage, and other office supplies and expense.

3. Net Capital Requirements

The company is subject to the SEC Uniform Net Capital Rule (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 June 30, 2002, the company had net capital of \$206,767 which was \$188,355 in excess of its required capital of \$18,412. The company's aggregate indebtedness to net capital ratio was 1.34 to 1.

4. Income Taxes

The company will file a consolidated U.S. federal income tax return with its parent company.

5. Investments (at cost)

The company has acquired long-term investments over the past two years, as follows:

1,500 warrants to purchase 4 shares each of the common stock of The Nasdaq Stock Market, Inc.	\$ 20,100
1,000 shares of the common stock of The Nasdaq Stock Market, Inc.	<u>13,000</u>
	<u>\$ 33,100</u>

These securities are unregistered, and subject to substantial restrictions as to their sale or other transfer.

Supplementary Information

Intervest International Equities Corporation

*Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934
For the Period July 1, 2001 to June 30, 2002*

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

BROKER OR DEALER **Intervest International Equities Corporation**

as of June 30, 2002

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition.....	\$	241,953		3480
2. Deduct ownership equity not allowable for Net Capital.....	▼		19 (3490
3. Total ownership equity qualified for Net Capital.....		241,953		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.....	\$	241,953		3530
6. Deductions and/or charges:				
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C).....	▼	17 \$ 35,186*		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
7. Other additions and/or allowable credits (List).....			(35,186)	3620
8. Net capital before haircuts on securities positions.....	▼	20 \$ 206,767		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.....	▼			18 3735
2. Debt securities.....				3733
3. Options.....				3730
4. Other securities.....				3734
D. Undue Concentration.....				3650
E. Other (List).....				3736
10. Net Capital.....	\$	206,767		3750

OMIT PENNIES

* Non-allowable receivables	\$	755
Other assets		1,331
Investment in warrants and common stock in the Nasdaq Stock Market, Inc.		33,100
		\$ 35,186

See accountants' report.

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

BROKER OR DEALER Intervest International Equities Corporation as of June 30, 2002

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$	18,412	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)	\$	18,412	3760
14. Excess net capital (line 10 less 13)	\$	188,355	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	▼ \$	179,149	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	276,180	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	3830
19. Total aggregate indebtedness	\$	276,180	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	134	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	134	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	\$	N/A	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.

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

BROKER OR DEALER

Intervest International Equities Corporation

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 4550
- B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained X 4560
- C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm 4335 4570
- D. (k) (3)—Exempted by order of the Commission 4580

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 Withdrawn (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 \$ NONE			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

Intervest International Equities Corporation
Supplementary Information
Year Ended June 30, 2002

Reconciliation of the computation of Net Capital under Rule 15c3-1:

Net capital per fourth quarter (quarter ended 06/30/02) FOCUS Report	\$ 206,766
Audit adjustments:	
None	-
Rounding differences	<u>1</u>
Net capital per audit	<u><u>\$ 206,767</u></u>

Reconciliation of the computation for determination of the Reserve Requirements under Exhibit A of Rule 15c3-3:

Not applicable, since the company meets the requirements of the exemptive provisions contained in Rule 15c3-3k(2)A, and did not at any time have possession or control of customer funds or securities during the year ended June 30, 2002.

See accountants' report.

Independent Auditor's Report on Internal
Accounting Control Required by SEC Rule 17a-5

Board of Directors
Interinvest International Equities Corporation
Colorado Springs, Colorado

In planning and performing our audit of the financial statements of Interinvest International Equities Corporation for the year ended June 30, 2002, we considered its internal control structure, including procedures 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 the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company 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 customers' securities, we did not review the practices and procedures followed by the Company (i) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13 or (ii) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

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, estimates and judgments by management are required 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 SEC's above-mentioned objectives. Two of the objectives of an internal control structure 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 accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Independent Auditor's Report on Internal
Accounting Control Required by SEC Rule 17a-5 (continued)

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 American Institute of Certified Public Accountants. 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 SEC 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 June 30, 2002, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, National Association of Securities Dealers (NASD), and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

CORNELIUS, SCHOU, LEONE & MATTESON, LLC

July 18, 2002