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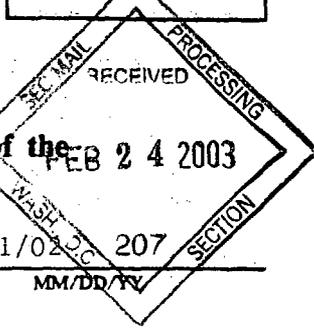
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### ANNUAL AUDITED REPORT FORM X-17A-5 PART III

#### 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 01/01/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

CUNNINGHAM AND CUNNINGHAM INVESTMENTS CO. INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

2400 COLONIAL PARKWAY

(No. and Street)

FORT WORTH

TX

76108

(City)

(State)

(Zip Code)

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

CHARLES E. CUNNINGHAM

817-924-9737

(Area Code - Telephone No.)

### B. ACCOUNTANT IDENTIFICATION

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

Gottfried E. Weber, CPA

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

1144 W. Pioneer Parkway, Ste. F

Arlington

Texas

76013

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

PROCESSED  
MAR 11 2003  
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).

## OATH OR AFFIRMATION

I, CHARLES E. CUNNINGHAM, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CUNNINGHAM & CUNNINGHAM INVESTMENTS CO. INC., as of 12/31/2002, 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:

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

Charles E. Cunningham  
Signature

Charles E. Cunningham  
Title

Rebecca K Fulbright  
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.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 15c3-1 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.
- (o) Statement of Cash Flows
- (p) Statement of Exception to 15c3-3

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

**CUNNINGHAM & CUNNINGHAM CO., INC**

**FINANCIAL STATEMENT**

**FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001**

# CUNNINGHAM & CUNNINGHAM INVESTMENT CO., INC

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## INDEPENDENT AUDITOR'S REPORT

### Board of Directors

Cunningham & Cunningham Investment Co., Inc

I have audited the accompanying balance sheet of Cunningham & Cunningham Investment Co., Inc. ( a Texas corporation) as of December 31, 2002, and the related statements of income, retained earnings, and cash flows for the year ended. Those 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.

I conducted the 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 principle uses 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.

My examination was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Schedules I, II, III, IV, and V 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 examination of the basic financial statements. In my opinion, the financial statements referred to above present fairly, in all material respects, financial position of Cunningham & Cunningham Investment Co., Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.



Gottfried E. Weber, CPA  
1144 W. Pioneer Parkway, Ste. F  
Arlington, TX 76013

February 7, 2003

**CUNNINGHAM & CUNNINGHAM INVESTMENT CO., INC.**

**BALANCE SHEET**

**AS OF DECEMBER 31, 2002 AND 2001**

	<b>ASSETS</b>	
	<u>2001</u>	<u>2002</u>
<b>CURRENT ASSETS</b>		
Checking Account	\$ 8,556.00	\$ 4,860.00
Clearing Account	8,374.00	8,459.00
Commissions Receivable	0.00	1,546.00
Total Current Assets	\$ <u>16,930.00</u>	\$ <u>14,865.00</u>
<b>FIXED ASSETS</b>		
Equipment	\$ 809.00	\$ 809.00
Accumulated Depreciation	(809.00)	(809.00)
Total Fixed Assets	\$ <u>0.00</u>	\$ <u>0.00</u>
<b>TOTAL ASSETS</b>	\$ <u><u>16,930.00</u></u>	\$ <u><u>14,865.00</u></u>
	<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>	
<b>CURRENT LIABILITIES</b>		
Loan from Stockholders	\$ 0.00	\$ 0.00
Accumulated Payable	0.00	0.00
Total Current Liabilities	\$ <u>0.00</u>	\$ <u>0.00</u>
<b>TOTAL LIABILITIES</b>	\$ 0.00	\$ 0.00
<b>STOCKHOLDERS EQUITY</b>		
Capital (\$1.00 par value, 100,000 shares Authorized, 10,000 issued and outstanding)	\$ 10,000.00	\$ 10,000.00
Retained Earnings	<u>6,930.00</u>	<u>4,865.00</u>
Total Members Equity	\$ <u>16,930.00</u>	<u>14,865.00</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS EQUITY</b>	\$ <u><u>16,930.00</u></u>	\$ <u><u>14,865.00</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

**CUNNINGHAM & CUNNINGHAM INVESTMENT CO., INC.**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2002 & 2001**

INCOME	<u>2001</u>	<u>2002</u>
Sales	\$ 19,232.00	\$ 9,328.00
Interest	259.00	80.00
Miscellaneous (Rebate)	0.00	197.00
Total Income	<u>\$ 19,491.00</u>	<u>\$ 9,605.00</u>
EXPENSES		
Accounting	\$ 1,050.00	\$ 1,450.00
Bond Fees	1,290.00	1,143.00
Clearing	15,608.00	7,419.00
Management	0.00	0.00
Miscellaneous	11.00	359.00
NASD Fees	659.00	1,143.00
Registration Fees	0.00	0.00
SIPC Fees	150.00	156.00
Total Expenses	<u>\$ 18,768.00</u>	<u>\$ 11,670.00</u>
NET INCOME BEFORE INCOME TAXES	\$ 723.00	\$ (2,065.00)
INCOME TAXES	0.00	0.00
NET INCOME (LOSS)	<u>\$ 723.00</u>	<u>\$ (2,065.00)</u>
NET INCOME PER COMMON SHARE (NOTE A)	<u>\$ 0.07</u>	<u>\$ N/A</u>

SEE NOTES TO FINANCIAL STATEMENT

**CUNNINGHAM & CUNNINGHAM INVESTMENT CO., INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	SHARES	AMOUNT
BALANCE AT JANUARY 1, 2002	10,000.00	10,000.00
NET CHANGES FOR THE PERIOD (PAID IN CAPITAL)	0.00	0.00
BALANCE AT DECEMBER 31, 2002	10,000.00	10,000.00

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**CUNNINGHAM & CUNNINGHAM INVESTMENT CO., INC.  
STATE OF RETAINED EARNINGS  
BALANCE AT DECEMBER 31, 2002**

	<u>2001</u>	<u>2002</u>
BALANCE JANUARY 1, 2002	\$ 6,207.00	\$ 6,930.00
NET INCOME FOR THE PERIOD	723.00	(2,065.00)
BALANCE DECEMBER 31	\$ 6,930.00	\$ 4,865.00

SEE NOTES TO FINANCIAL STATEMENT

**CUNNINGHAM & CUNNINGHAM INVESTMENT CO., INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED DECEMBER 31, 2002 & 2001**  
**INCREASE (DECREASE) IN CASH OR CASH EQUIVALENTS**

	12 Months Ended December 31, 2001	12 Months Ended December 31, 2002
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	723.00	(2,065.00)
Adjustments to Reconcile Cash Flow	0.00	0.00
Depreciation	0.00	0.00
Amortization	0.00	0.00
Decrease (Increase) in Accounts Receivable	9,865.00	(1,546.00)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(7,865.00)	0.00
Clearing Payable	0.00	0.00
Deposits Payable	0.00	0.00
Total Adjustments	0.00	0.00
Cash Provided (Used) by Operations	2,723.00	(3,611.00)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sales (Purchases) of Assets	0.00	0.00
Assets	0.00	0.00
Cash Provided (Used) by Investing	0.00	0.00
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash (Used) or Provided By: Dividends	0.00	0.00
Cash From Financing Activities	0.00	0.00
NET INCREASE (DECREASE) IN CASH	2,723.00	(3,611.00)
CASH AT BEGINNING OF PERIOD	14,207.00	16,930.00
CASH AT END OF PERIOD	16,930.00	13,319.00

SEE NOTES TO FINANCIAL STATEMENTS

**CUNNINGHAM & CUNNINGHAM INVESTMENT CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Business Activity

The company is a discount brokerage firm formed for the purpose of generating commissions from buying and selling securities for customers.

Income Per Share

Net Income per share of common stock computed bases on the weighted average number of shares outstanding during the year (10,000 shares in 2002).

Income Taxes

The Company, with the consent of stockholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporation income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for Federal income taxes has been included in these financial statements.

NOTE B - OCCUPANCY EXPENSE

The Company occupies office space which is owned by the Company's major stockholder. No charge has been made to the Company for occupying the office space based on a contractual agreement between the Company and the stockholder.



**FOCUS REPORT - PART IIA**  
**Statement of Changes in Ownership Equity / Subordinated Liabilities**

Firm Name: Cunningham & Cunningham Investment Co., Inc.      Firm ID: 32108  
From 10/01/02  
To 12/31/02

**State of Changes in Ownership Equity**

1. Balance, Beginning of Period	14,387
A. Net income (loss)	478
B. Additions, incl. Non-conforming capital of	0
C. Deductions, incl. Non-conforming capital of	<u>0</u>
2. Balance, end of Period	<u>14,865</u>

**Statement of Changes in Subordinated Liabilities**

3. Balance, beginning of Period	
A. Increases	
B. Decreases	<u>0</u>
4. Balance, End of Period	<u>0</u>

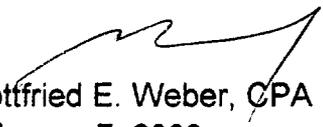
FOCUS REPORT - PART IIA  
Computation of Net Capital

		As of 12/31/02
Firm Name:	Cunningham & Cunningham Investment Co., Inc.	Firm ID: 32108
1	Total ownership equity (o/e)	14,865
2	Deduct o/e not allowable for net capital	0
3	Total o/e qualified for net capital	14,865
4	Add:	
	A. Allowable subordinated liabilities	
	B. Other deductions or credits	
	Description	
	0	Amount
	0	
	0	
5	Total cap & allowable subloans	0
6	Deductions &/or charges	
	A. Total non-allowable assets	
	B. Secured demand note deficiency	
	C. Cap chgs for spot & commodity futures	
	D. Other deductions &/or charges	
7	Other additions &/or allowable credits	
	Description	Amount
	0	
	0	
	0	
8	Net capital before haircuts	14,865
9	Haircut on Securities	
	Other Securities	
	Undue Concentration	
10	Net Capital	14,865

Compliance Examiner  
National Association of Securities Dealers

After examination of Cunningham & Cunningham Investment Co., Inc., as of the date of this letter, I find no evidence that Cunningham & Cunningham Investment Co., Inc. conducts any practices that would cause it to lose its exemption to regulation 15c3-3 under rule K(2)(iii).

Cunningham & Cunningham Investment Co., Inc. is an introducing broker, which clears all transactions on a fully disclosed basis with a clearing broker, Southwest Securities. Cunningham & Cunningham Investment Co., Inc. does not handle customer funds or securities. All customers are instructed to send funds or securities directly to Southwest Securities.



Gottfried E. Weber, CPA  
February 7, 2003

CUNNINGHAM & CUNNINGHAM INVESTMENT CO., INC.  
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 AS OF DECEMBER 31, 2002

NET CAPITAL

Total stockholders' equity	14,865
Deduct stockholders' equity not allowable for net capital	<u>none</u>
Total stockholders' equity qualified for net capital	14,865

Additions

Liabilities allowable in computation of net capital	<u>0</u>
Total capital and allowable liabilities	14,865

Deductions and/or charges

Non-allowable assets

Net capital before haircuts on security positions	0
Haircuts on securities	<u>0</u>

NET CAPITAL	14,865
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AGGREGATE INDEBTEDNESS

Items including statement of financial condition payable to stockholder	<u>0</u>
Total aggregate indebtedness	0

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum Capital Required (Based on Net Indebtedness)	14,865
Minimum Net Capital Required	5,000
Excess Net Capital	9,865
Excess Net Capital at 1000%	9,865
Ratio: Aggregate indebtedness to net capital	0 to 1

Cunningham & Cunningham Investment Co., Inc.

**RECONCILIATION WITH COMPANY'S COMPUTATION**

There was an accounts receivable accrual of \$1546.00.

## INDEPENDENT AUDITOR'S REPORT

Board of Directors:

Cunningham & Cunningham Investment Co., Inc.

I have examined the financial statements of Cunningham & Cunningham Investment Co., Inc. for the year ended December 31, 2002 and have issued my report thereon dated February 7, 2003. As part of my examination, I made a study and evaluation of the Company's system on internal accounting control (which included the procedures for safeguarding securities) to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, extent of the auditing procedures necessary for expressing an opinion on the financial statements.

Also, as required by Rule 17a-5(g) (1) of the Securities and Exchange Commission, I have made a study of the practices and procedures (including tests of compliance with such practice and procedures) followed by Cunningham & Cunningham Investment Co., Inc. that I considered relevant to the objectives stated in Rule 17a-5(g). I also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(ii) and the procedures for determining compliance with exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System because the Company does not carry security accounts for customers nor perform custodial functions relating to customer securities.

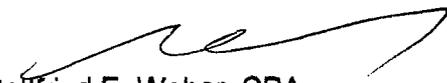
The management of the Company is responsible for establishing and maintaining a system of internal accounting controls and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control 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 Commission's above-mentioned objectives. The objectives of a system 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 of 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.

Because of inherent limitation in any internal accounting control procedures or the practice and procedures referred to above, errors or irregularities may nevertheless 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 degree of compliance with them may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of Cunningham & Cunningham Investment Co., Inc. taken as a whole. However, my study and evaluation disclosed no conditions that I believe to be a material weakness.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the Commission's objectives.

This report is intended solely for the use of management and the Securities and Exchange Commission and should not be used for any other purpose.



Gottfried E. Weber, CPA  
February 7, 2003