

ASB  
3/5/2003

cm

SECURITI



MISSION

03002918

<b>OMB APPROVAL</b>
OMB Number: 3235-0123
Expires:
Estimated average burden hours per response . . . 12.00
<b>SEC FILE NUMBER</b>
8-4843)

**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:  
EDELMAN & CO., LTD.

<b>OFFICIAL USE ONLY</b>
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
8689 NORTH PORT WASHINGTON RD  
(No. and Street)  
MILWAUKEE, WI 53217  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
ROBERT EDELMAN (414) 228-9314  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

SCRIBNER COHEN AND COMPANY, S.C.

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

400 E MASON STREET, SUITE 300, MILWAUKEE, WI 53202

(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

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirements that the annual report be covered by the opinion of an independent public accountants 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, ROBERT EDELMAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of EDELMAN & CO., LTD., as of DECEMBER 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:

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

Dirk Helferich  
Signature  
President  
Title

Dirk Helferich  
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 Stockholder's 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 previous audit.

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

**EDELMAN & CO., LTD.**

**ANNUAL REPORT**

**DECEMBER 31, 2002**

EDELMAN & CO., LTD.  
TABLE OF CONTENTS

---

---

	Page
FACING PAGE	3 - 4
INDEPENDENT AUDITORS' REPORT	5 - 6
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL CONDITION	7
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10 - 12
STATEMENTS OF CHANGES IN SUBORDINATED LIABILITIES	13
SCHEDULES OF COMPUTATION OF NET CAPITAL	14
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL STRUCTURE	



SCRIBNER  
COHEN  
AND  
COMPANY

CPAs  
and  
Advisors

## INDEPENDENT AUDITORS' REPORT

To the Stockholder  
and Board of Directors  
of Edelman & Co., Ltd.

We have audited the accompanying statements of financial condition of Edelman & Co., Ltd. as of December 31, 2002 and 2001, and the related statements of operations and retained earnings, and cash flows for the years 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. 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. 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 Edelman & Co., Ltd. as of December 31, 2002 and 2001, and the results of its operations and its cash flows, for the years then ended, in conformity with generally accepted accounting principles.

Barry S. Werner, CPA | 400 East Mason Street  
Frederick W. Langer, CPA | Suite 300  
David R. Werner, CPA | Milwaukee, WI 53202  
Martin Zuckerman, CPA | 414-271-1700  
Dawn E. Wittak, CPA | Fax 414-271- 9925  
Kevin C. Richter, CPA | E-mail: [cpa@scribnercohen.com](mailto:cpa@scribnercohen.com)  
Alan E. Matsoff, CPA | [www.scribnercohen.com](http://www.scribnercohen.com)

To the Stockholder  
and Board of Directors  
of Edelman & Co., Ltd.  
Page Two

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 13 and 14 is presented for the 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 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.

*Scribner, Cohen and Langsam S.C.*

Milwaukee, Wisconsin  
February 1, 2003

**EDELMAN & CO., LTD.**  
**STATEMENTS OF FINANCIAL CONDITION**  
December 31, 2002 and 2001

<u>ASSETS</u>	<u>2,002</u>	<u>2,001</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 101,059	\$ 40,799
Accounts receivable	-	1,190
Income tax receivable	-	2,184
Prepaid expenses	3,348	2,420
Deferred income taxes	30	2,050
Total current assets	<u>104,437</u>	<u>48,643</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	6,353	7,023
Less accumulated depreciation	<u>4,853</u>	<u>6,261</u>
	<u>1,500</u>	<u>762</u>
<b>OTHER ASSETS</b>		
Investment in PE Advisors, LLC	<u>3,442</u>	<u>4,131</u>
<b>TOTAL ASSETS</b>	<u>\$ 109,379</u>	<u>\$ 53,536</u>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 146	\$ 5,418
Payroll taxes payable	69	13
Accrued expenses	40,000	4,000
Deferred income taxes	350	-
Total current liabilities	<u>40,565</u>	<u>9,431</u>
<b>STOCKHOLDER'S EQUITY</b>		
Capital stock - 9,000 shares authorized, no par value; 150 shares issued and outstanding	15,000	15,000
Retained earnings	<u>53,814</u>	<u>29,105</u>
Total stockholder's equity	<u>68,814</u>	<u>44,105</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<u>\$ 109,379</u>	<u>\$ 53,536</u>

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

**EDELMAN & CO., LTD.**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**  
For the Years Ended December 31, 2002 and 2001

	2,002	2,001
<b>REVENUE</b>		
Fees	\$ 670,631	\$ 50,800
<b>OPERATING EXPENSES</b>		
Officer's salary	525,000	20,000
Promotion	1,972	1,883
Information service	8,004	5,320
Commissions	10,000	-
Depreciation	727	910
Professional services	18,329	14,639
Retirement plan	40,000	4,000
Payroll taxes	12,945	1,599
Publications, dues and licenses	3,446	2,554
Employee benefits	1,025	7,086
Office expense and postage	3,904	4,745
Outside services	822	285
Meals and entertainment	1,767	1,525
Insurance	-	205
Travel	9,872	22,534
Telephone	6,367	7,761
Miscellaneous	377	125
Total operating expenses	<u>644,557</u>	<u>95,171</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>26,074</u>	<u>(44,371)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Equity in earnings of P E Advisors, LLC	(689)	23,031
Interest expense	-	-
Dividend Income	102	285
Interest income	6,764	1,580
	<u>6,177</u>	<u>24,896</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<u>32,251</u>	<u>(19,475)</u>
<b>INCOME (EXPENSE) TAX BENEFIT</b>		
Current	(5,172)	-
Refundable income taxes	-	2,184
Deferred	(2,370)	2,370
	<u>(7,542)</u>	<u>4,554</u>
<b>NET INCOME (LOSS)</b>	24,709	(14,921)
<b>RETAINED EARNINGS BEGINNING OF YEAR</b>	<u>29,105</u>	<u>44,026</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>\$ 53,814</u>	<u>\$ 29,105</u>

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

**EDELMAN & CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ 24,709	\$ (14,921)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	727	910
Deferred income tax	2,370	(2,370)
Income allocated from partnership	689	(23,031)
Changes in operating assets and liabilities		
Accounts receivable	1,190	(1,190)
Income taxes receivable	2,184	(2,184)
Prepaid expenses	(928)	(1,131)
Accounts payable	(5,272)	4,737
Accrued expenses	36,056	(2,456)
Net cash provided by (used in) operating activities	<u>61,725</u>	<u>(41,636)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of computer equipment	(1,465)	-
Distribution from PE Advisors, LLC	-	19,000
Investment in PE Advisors, LLC	-	(100)
Net cash provided by (used in) investing activities	<u>(1,465)</u>	<u>18,900</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	60,260	(22,736)
<b>CASH - BEGINNING OF YEAR</b>	<u>40,799</u>	<u>63,535</u>
<b>CASH - END OF YEAR</b>	<u>\$ 101,059</u>	<u>\$ 40,799</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Income taxes	<u>\$ 3,916</u>	<u>\$ 1,131</u>

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

**EDELMAN & CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2002 and 2001

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

Edelman & Co., Ltd. is a Wisconsin Corporation. The Company registered to be a broker/dealer pursuant to the National Association of Securities Dealers, Inc. (NASD) on August 28, 1996. The Company is in the business of financial consulting on corporate mergers and acquisitions.

Property and Equipment

Property and equipment is stated at cost, maintenance and repairs are charged to operations. Depreciation expense is calculated on an accelerated basis over the respective assets' remaining useful lives, which are as follows:

Office equipment	5 - 7 years
------------------	-------------

Depreciation expense was \$727 and \$910 for the years ended December 31, 2002 and 2001, respectively.

Income Taxes

Income taxes are calculated on taxable earnings at the applicable statutory rates. Taxable earnings vary from financial statement earnings because income taxes are calculated on the cash basis of accounting, and because of limitations set by the Internal Revenue Service. The tax effect of these differences is explained in Note 7.

Use of Estimates

The preparation of the 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 and disclosure of contingent 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.

Investment in P E Advisors, LLC

The Company uses the equity method to account for its one-half interest in P E Advisors, LLC, a Wisconsin limited liability company that was organized in the year 2001. Under the equity method, the Company's investment is increased for investments, capital contributions, and loans to the LLC, and for its proportionate share of the LLC's earnings, and is decreased for loan repayments and distributions from the LLC, and for its proportionate share of the LLC's losses. At December 31, 2002 and 2001 the Company's investment consisted of \$3,442 and \$4,131, respectively, in members' equity. The LLC had assets of \$7,478 and liabilities of \$0 as of December 31, 2002.

**EDELMAN & CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2002 and 2001

---

---

**NOTE 2 - RESERVE REQUIREMENTS**

The Corporation is not obligated to report under SEC Rule 15c3-3 since it does not maintain customer accounts or holds securities. Therefore, the Corporation does not have a reserve requirement nor does it have any information relating to the possession or control requirement under Rule 15c3-3.

**NOTE 3 - MINIMUM CAPITAL**

Under SEC Rule 15c3-1, the Corporation is required to maintain net capital of not less than \$5,000 in 2002 and 2001. At December 31, 2002, the Corporation's net capital as defined by SEC Rule 15c3-1 was \$55,844 in excess of the minimum net capital required. The excess net capital at 1,000% was \$56,823, and the percent of aggregate indebtedness to net capital was 66%. At December 31, 2001, the Corporation's net capital as defined by SEC Rule 15c3-1 was \$26,368 in excess of the minimum net capital required. The excess net capital at 1,000% was \$30,425, and the percent of aggregate indebtedness to net capital was 30%.

**NOTE 4 - EMPLOYEE BENEFIT PLANS**

The Company has a combined money purchase plan. Contributions are to be paid each year at not more than 20% of employee earnings. The accrued contribution for the years ended December 31, 2002 and 2001 is \$40,000 and \$4,000.

The Company has a medical and dental expense reimbursement plan that reimburses employees up to \$20,000 per year for payment of health insurance premiums and medical and dental expenses.

**NOTE 5 - RELATED PARTY TRANSACTIONS**

The Company uses office space located in the sole stockholder's residence, but does not pay rent on this space.

**NOTE 6 - MAJOR CUSTOMERS**

The Company had fee income from two customers during 2002 that accounted for 89% of total fee income for the year ended December 31, 2002. The Company had fee income from four customers during 2001, which accounted for 100% of total fee income for the year ended December 31, 2001.

**EDELMAN & CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2002 and 2001

---

---

**NOTE 7 - INCOME TAXES**

The Company prepares its income tax returns on the cash basis of accounting. Temporary differences, arising as a result of differences in accounting basis are: changes in various income and expense accounts for which accruals are made for accounting purposes; difference in depreciation for tax and accounting purposes; as well as the difference in income tax liability calculated on the cash basis versus the income tax liability calculated on the accrual basis. At December 31, 2002, the temporary differences resulted in a short-term deferred income tax asset of \$30 and a long-term deferred tax liability of \$350. At December 31, 2001 the deferred income tax asset resulting from these temporary differences was \$2,050.

**EDELMAN & CO., LTD.**  
**STATEMENTS OF CHANGES IN SUBORDINATED LIABILITIES**  
For the Years Ended December 31, 2002 and 2001

---

---

	<u>2002</u>	<u>2001</u>
<b>BALANCE - BEGINNING OF YEAR</b>	\$ -	\$ -
Increase	-	-
Decrease	-	-
<b>BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>

See auditors' report.

**EDELMAN & CO., LTD.**  
**SCHEDULES OF COMPUTATION OF NET CAPITAL**  
December 31, 2002 and 2001

The computation of net capital pursuant to SEC Rule 15c3-1 is as follows:

	2002	2001
<b>NET CAPITAL</b>		
Total stockholder's equity	\$ 68,814	\$ 44,105
<b>DEDUCTIONS</b>		
Nonallowable assets:		
Accounts receivable	-	3,374
Prepaid expenses	3,348	2,420
Deferred income taxes	(320)	2,050
Investment	3,442	4131
Furniture and equipment	1,500	762
	<u>7,970</u>	<u>12,737</u>
<b>NET CAPITAL</b>	\$ 60,844	\$ 31,368
<b>MINIMUM NET CAPITAL REQUIRED</b>	<u>5,000</u>	<u>5,000</u>
<b>EXCESS NET CAPITAL</b>	\$ 55,844	\$ 26,368
<b>EXCESS NET CAPITAL AT 1,000%</b>	<u>\$ 56,823</u>	<u>\$ 30,425</u>
<b>AGGREGATE INDEBTEDNESS</b>	\$ 40,215	\$ 9,431
<b>RATIO: AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>	66%	30%
<b>RECONCILIATION OF AUDITED COMPUTATION OF NET CAPITAL TO UNAUDITED PART II FORM X-17A-5</b>		
Net capital as reported in unaudited FOCUS report	\$ 54,216	\$ 28,186
Increase (decrease) in nonallowable assets	<u>14,859</u>	<u>(2,593)</u>
Audit adjustments:		
Increase (decrease) receivables and prepaids	(5,172)	3,374
Additional liabilities	-	(4,000)
Investment income	(689)	4031
Deferred income taxes	(2,370)	2,370
Total audit adjustments	<u>(8,231)</u>	<u>5,775</u>
<b>NET CAPITAL PER ABOVE</b>	<u>\$ 60,844</u>	<u>\$ 31,368</u>

The computation of reserve requirements pursuant to SEC Rule 15c3-3 and information relating to the possession of control requirements pursuant to SEC Rule 15c3-3 are not required for Edelman & Co., Ltd. because the transactions are limited to fees earned on consulting on corporate mergers and private placements.

See auditor's report.



SCRIBNER  
COHEN  
AND  
COMPANY

CPAs  
and  
Advisors

## INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS REPORT ON INTERNAL CONTROL STRUCTURE

To the Stockholder  
and Board of Directors  
of Edelman & Co., Ltd.

In planning and performing our audit of the financial statements and supplemental schedules of Edelman & Co., Ltd. (the Company), for the year ended December 31, 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 Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered 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 provisions 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.

Barry S. Werner, CPA | 400 East Mason Street  
Frederick W. Langer, CPA | Suite 300  
David R. Werner, CPA | Milwaukee, WI 53202  
Martin Zuckerman, CPA | 414-271-1700  
Dawn E. Wittak, CPA | Fax 414-271-9925  
Kevin C. Richter, CPA | E-mail: [cpa@scribnercohen.com](mailto:cpa@scribnercohen.com)  
Alan E. Matsoff, CPA | [www.scribnercohen.com](http://www.scribnercohen.com)

To the Stockholder  
and Board of Directors  
of Edelman & Co., Ltd.  
Page Two

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 judgements 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.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors 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 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 components does not reduce to a relatively low level the risk that error or fraud 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, including internal control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

To the Stockholder  
and Board of Directors  
of Edelman & Co., Ltd.  
Page Three

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 December 31, 2002, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, 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 is not intended to be and should not be used by anyone other than these specific parties.

*Scribner, Cohen and Company, S.C.*

Milwaukee, Wisconsin  
February 1, 2003