



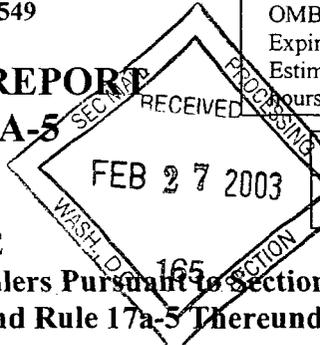
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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



SEC FILE NUMBER
8-036959

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:

Cooper Malone McClain, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

7701 East Kellogg, Suite 700

(No. and Street)

Wichita

(City)

Kansas

(State)

67278

(Zip Code)

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

Lois McClain

(316) 685-5777

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Allen, Gibbs & Houlik, L.C.

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

301 N. Main, Suite 1700

(Address)

Wichita

(City)

Kansas

(State)

67202

(Zip Code)

CHECK ONE:

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

**PROCESSED**

**MAR 12 2003**

**THOMSON  
FINANCIAL**

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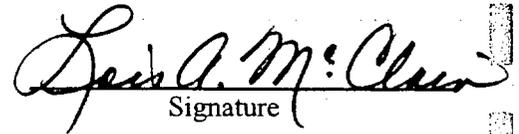
\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

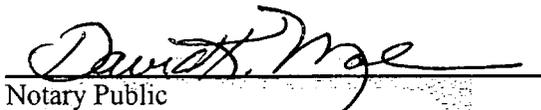
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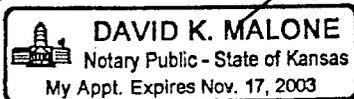
## OATH OR AFFIRMATION

I, Lois McClain, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cooper, Malone, McClain, Inc., 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: NONE.

  
Signature

Executive Vice President  
Title

  
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 Cash Flows.
- (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) Independent Auditor's Report on Internal Control

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

Epic Center • 301 N. Main, Suite 1700  
Wichita, Kansas 67202-4868  
(316) 267-7231 • FAX (316) 267-0339

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL  
CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5**

The Board of Directors  
**Cooper Malone McClain, Inc.**

In planning and performing our audit of the financial statements of Cooper Malone McClain, Inc. (Company) for the year ended December 31, 2002, we considered its internal control structure, including control 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 the internal control.

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 computation 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 security 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 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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, 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 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 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 structure, including procedures for determining compliance with the exemption provisions of Rule 15c3-3, 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 December 31, 2002 to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC and the National Association of Securities Dealers, Inc., 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 specified parties.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

January 30, 2003  
Wichita, Kansas

COOPER MALONE MCCLAIN, INC.  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEARS ENDED DECEMBER 31, 2002 AND 2001  
WITH  
INDEPENDENT AUDITORS' REPORT

**COOPER MALONE MCCLAIN, INC.**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2002 and 2001

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Epic Center • 301 N. Main, Suite 1700  
Wichita, Kansas 67202-4868  
(316) 267-7231 • FAX (316) 267-0339

INDEPENDENT AUDITORS' REPORT

The Board of Directors  
**Cooper Malone McClain, Inc.**

We have audited the statements of financial condition of Cooper Malone McClain, Inc. as of December 31, 2002 and 2001, and the related statements of operations, stockholders' equity, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Cooper Malone McClain, Inc. at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with auditing standards generally accepted in the United States of America.

*Allen, Gibbs & Houlik, L.C.*

January 30, 2003

**COOPER MALONE MCCLAIN, INC.**

**STATEMENTS OF FINANCIAL CONDITION**

December 31, 2002 and 2001

	<b><u>ASSETS</u></b>	
	<u>2002</u>	<u>2001</u>
Cash	\$ 86,527	\$ 37,884
Deposit with clearing organization	323,129	255,182
Receivables:		
Commissions and interest, clearing organization	17,374	14,602
Employees and stockholders	47,190	30,900
Other	441	333
Securities owned:		
Marketable, at market value; cost \$1,127,487 and \$1,218,380	657,745	829,570
Not readily marketable, at estimated fair value; cost \$102,300	--	102,300
Furniture and equipment, net of accumulated depreciation of \$109,601 and \$109,708	30,372	32,214
Other assets:		
Cash surrender value of life insurance, net of loans of \$100,000	119,695	87,133
Other	30,976	19,597
	<u>\$ 1,313,449</u>	<u>\$ 1,409,715</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Note and margin payable, clearing organization	\$ 529,852	\$ 730,073
Payable to clearing organization	324	1,199
Other liabilities	57,986	21,891
	<u>588,162</u>	<u>753,163</u>
Stockholders' equity:		
Common stock, par value \$1 per share; authorized 1,000,000 shares, issued and outstanding 100,000 shares	100,000	100,000
Additional paid-in capital	200,157	200,157
Retained earnings	425,130	356,395
	<u>725,287</u>	<u>656,552</u>
Total stockholders' equity	<u>\$ 1,313,449</u>	<u>\$ 1,409,715</u>

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

**COOPER MALONE MCCLAIN, INC.**

**STATEMENTS OF OPERATIONS**

Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Revenues:		
Trading commission income	\$ 976,782	\$ 977,037
Net trading profit	196,671	115,123
Interest income	66,981	33,946
Underwriting profits	440,177	12,206
Investment advisory fees	107,815	159,050
Other	46,800	58,926
	<u>1,835,226</u>	<u>1,356,288</u>
Expenses:		
Salaries and commissions	989,384	795,774
General and administrative	416,970	353,619
Interest	39,205	38,843
Unrealized loss, securities owned	80,932	36,522
	<u>1,526,491</u>	<u>1,224,758</u>
<b>Net income</b>	<u><b>\$ 308,735</b></u>	<u><b>\$ 131,530</b></u>

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

**COOPER MALONE MCCLAIN, INC.**

**STATEMENTS OF STOCKHOLDERS' EQUITY**

Years Ended December 31, 2002 and 2001

	Common Stock				
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2000	100,000	\$ 100,000	\$ 200,157	\$ 234,865	\$ 535,022
Distributions to stockholders				(10,000)	(10,000)
Net income				131,530	131,530
Balance, December 31, 2001	100,000	100,000	200,157	356,395	656,552
Distributions to stockholders				(240,000)	(240,000)
Net income				308,735	308,735
Balance, December 31, 2002	<b>100,000</b>	<b>\$ 100,000</b>	<b>\$ 200,157</b>	<b>\$ 425,130</b>	<b>\$ 725,287</b>

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

**COOPER MALONE MCCLAIN, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Net income	\$ 308,735	\$ 131,530
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss on disposal of assets	243	181
Depreciation and amortization	12,620	11,052
Unrealized loss, securities owned	80,932	36,522
Changes in operating assets and liabilities:		
Deposit with clearing organization	(67,947)	(160,535)
Receivables	(19,170)	(22,506)
Securities owned	193,193	(280,742)
Other assets	(11,379)	2,262
Payable to clearing organization	(875)	624
Other liabilities	36,095	(3,930)
<b>Net cash provided by (used in) operating activities</b>	<u>532,447</u>	<u>(285,542)</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	(11,021)	(6,863)
Net change in cash surrender value of life insurance	(32,562)	(41,372)
<b>Net cash used in investing activities</b>	<u>(43,583)</u>	<u>(48,235)</u>
Cash flows from financing activities:		
Distributions to stockholders	(240,000)	(10,000)
Net (payments) draws on note and margin payable, clearing organization	(200,221)	267,720
<b>Net cash (used in) provided by financing activities</b>	<u>(440,221)</u>	<u>257,720</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>48,643</b>	<b>(76,057)</b>
Cash and cash equivalents at beginning of year	<u>37,884</u>	<u>113,941</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 86,527</u>	<u>\$ 37,884</u>

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

# COOPER MALONE MCCLAIN, INC.

## NOTES TO FINANCIAL STATEMENTS

### 1. BUSINESS OPERATIONS

Cooper Malone McClain, Inc. (Company) is a broker/dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD) and the Securities Investor Protection Corporation (SIPC). The Company is also a member of the Municipal Securities Rulemaking Board (MSRB), which makes rules regulating dealers who deal in municipal bonds, municipal notes, and other municipal securities.

The Company primarily offers investment banking services, which include services related to originating, underwriting, and distributing initial issues of securities, primarily in the state of Kansas. Additionally, the Company also purchases and sells securities in the secondary market.

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer and promptly transmit all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition – Securities transactions are recorded on the settlement date. The effect on income of transactions executed but not yet settled is not significant. Fiscal fees and applicable expenses are recognized when all services are rendered and closing of the bond issue is assured.

Cash Equivalents – For purposes of reporting cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less at date of purchase to be cash equivalents.

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

(Continued)

**COOPER MALONE MCCLAIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Securities Owned – Marketable securities owned consist of trading and investment securities and are valued at market value. Securities not readily marketable are valued at fair value as determined by management. Substantially all the municipal bonds pertain to Kansas issues.

Furniture and Equipment – Furniture and equipment are carried at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred, whereas significant renewals and betterments are capitalized. Deduction is made for retirements resulting from the renewals or betterments.

Income Taxes – The Company has elected to be taxed as an S Corporation for the tax years after December 31, 1989. Under this election, income and losses of the Company, along with any tax credits, are reported for income tax purposes by the individual stockholders.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures such as contingencies, and (3) the reported amounts of revenues and expenses included in such financial statements. Actual results could differ from those estimates.

Reclassifications – Certain items on the 2001 income statement have been reclassified to be consistent with the 2002 presentation.

**3. DEPOSIT WITH CLEARING ORGANIZATION**

The Company is required to maintain a deposit with its clearing organization equal to the greater of \$30,000 or the sum of 15% of municipal securities, 30% of corporate securities, 20% of corporate debt, and 5% of government securities owned. There were deposits of \$323,129 and \$255,182 at December 31, 2002 and 2001, respectively.

(Continued)

**COOPER MALONE MCCLAIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**4. SECURITIES OWNED**

Marketable securities owned consist of trading and investment securities at market values, as follows:

	2002	2001
Equity securities	\$ 115,925	\$ 102,114
Corporate bonds	3,500	87,256
Municipal bonds	538,320	640,200
	\$ 657,745	\$ 829,570

Securities not readily marketable include investment securities: (a) for which there is no market on a securities exchange or no independent publicly quoted market, (b) which cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, or (c) which cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company.

At December 31, 2001, not readily marketable securities at estimated fair values consist of the following:

	2001
Warrants	\$ 24,300
Equity securities	78,000
	\$ 102,300

The above equity securities and warrants represent shares of The Nasdaq Stock Market which were purchased as part of a private placement offer during 2000. At December 31, 2001 the warrants and equity securities were restricted pending the registration of such securities under the Securities Act of 1933. During 2002 the restriction was lifted, and they were transferred to marketable securities at December 31, 2002.

(Continued)

**COOPER MALONE MCCLAIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. FURNITURE AND EQUIPMENT**

Furniture and equipment consist of the following:

	December 31		Estimated
	2002	2001	Useful Lives
Office furniture and fixtures	\$ 82,200	\$ 83,916	6 to 10 years
Computer equipment and software	57,773	58,006	3 to 6 years
	\$ 139,973	\$ 141,922	

Depreciation charged to income was \$12,620 and \$11,052 in 2002 and 2001, respectively.

**6. LEASES**

The Company leases office space and equipment under long-term lease agreements that expire through 2006 and are classified as operating leases. The following is a schedule of future minimum lease payments for operating leases (with initial or remaining terms in excess of one year) as of December 31, 2002:

Year Ending December 31,	
2003	\$ 51,984
2004	52,442
2005	50,844
2006	8,474
Total	\$ 163,744

Rental expense for all operating leases was \$46,004 and \$45,047 in 2002 and 2001, respectively.

**7. NOTE AND MARGIN PAYABLE, CLEARING ORGANIZATION**

The Company's municipal and corporate bond inventory is financed through Southwest Securities, Inc., the Company's clearing organization. Amounts payable on this note were \$529,852 and \$723,045 at December 31, 2002 and 2001, respectively. The note is secured by municipal and corporate bonds with a market value of \$541,820 and \$727,456 at December 31, 2002 and 2001, respectively, and is due as the respective secured inventory is sold.

(Continued)

**COOPER MALONE MCCLAIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**7. NOTE AND MARGIN PAYABLE, CLEARING ORGANIZATION (CONTINUED)**

The Company purchases corporate stocks through a margin account also at Southwest Securities, Inc. Amounts due on this account were \$-0- and \$7,028 at December 31, 2002 and 2001, respectively.

Interest expense is calculated daily on the inventory settlement date balance at slightly below the broker call money rate (5.3% at December 31, 2002). Interest paid for 2002 and 2001 was \$38,513 and \$39,536, respectively.

**8. EMPLOYEE BENEFIT PLAN**

The Company has a 401(k) plan covering substantially all employees. Participants may contribute from 1% to 15% of their compensation on a pre-tax basis. The Company can contribute a discretionary amount. The Company contributed \$5,789 and \$4,674 during the years ended December 31, 2002 and 2001, respectively.

**9. NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2002, the Company had net capital and net capital requirements of \$484,166 and \$100,000, respectively. The Company's aggregate indebtedness to net capital ratio was .12 to 1. At December 31, 2001, the Company had net capital and net capital requirements of \$400,257 and \$100,000, respectively. The Company's aggregate indebtedness to net capital ratio was .06 to 1. The 2001 presentation has been restated to be consistent with the 2002 presentation.

**10. OFF-BALANCE SHEET RISK**

The Company's commission revenue results from customer transactions introduced solely through its clearing broker. The clearing broker assumes the responsibility for execution, clearance, collection, and delivery, including all recordkeeping requirements, in relation to the Company's customers' transactions. Off-balance sheet risk exists with respect to these transactions due to the possibility that such customers may be unable to fulfill their contractual commitments wherein the clearing broker may charge any losses incurred to the Company. The Company has in place controls to minimize this risk through monitoring credit worthiness of its customers and monitoring the proper execution of transactions by the clearing broker.

(Continued)

**COOPER MALONE MCCLAIN, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**11. LITIGATION**

In the normal course of business, the Company is a defendant in a lawsuit wherein substantial amounts are claimed. The Company denies any wrongdoing and intends to contest the case vigorously. In the opinion of management, this suit is without substantial merit and should not result in a judgment that in the aggregate would have a material adverse effect on the Company's financial statements.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION REQUIRED  
BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

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The Board of Directors  
**Cooper Malone McClain, Inc.**

We have audited the accompanying financial statements of Cooper Malone McClain, Inc. as of and for the years ended December 31, 2002 and 2001 and have issued our report thereon dated January 30, 2003. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1 and 2 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 Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

January 30, 2003  
Wichita, Kansas

**COOPER MALONE MCCLAIN, INC.**

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION**

**SCHEDULE 1**

December 31, 2002 and 2001

	2002	2001
Aggregate indebtedness:		
Payable to clearing organization	\$ 324	\$ 1,199
Other liabilities	57,986	21,891
Total aggregate indebtedness	\$ 58,310	\$ 23,090
Net capital:		
Credit items:		
Common stock	\$ 100,000	\$ 100,000
Additional paid-in capital	200,157	200,157
Retained earnings	425,130	356,395
Total credit items	725,287	656,552
Deductions and charges:		
Non-allowable securities	--	102,300
Receivables, other	441	333
Receivables, employees	47,190	30,900
Furniture and equipment, at cost, less accumulated depreciation	30,372	32,214
Other assets	33,482	19,597
Haircuts on securities owned	129,636	70,951
Total deductions and charges	241,121	256,295
Net capital	\$ 484,166	\$ 400,257
Capital requirements:		
Greater of 6-2/3% of aggregate indebtedness or minimum stated net capital for non-clearing firm (\$100,000)	\$ 100,000	\$ 100,000
Net capital in excess of requirements	384,166	300,257
	\$ 484,166	\$ 400,257
Ratio of aggregate indebtedness to net capital	.12 to 1	.06 to 1

There were no liabilities subordinated to the claim of general creditors at December 31, 2002 and 2001.

The 2001 presentation has been restated to be consistent with the 2002 presentation.

**COOPER MALONE MCCLAIN, INC.**

**RECONCILIATION OF THE COMPUTATION OF NET CAPITAL WITH  
THAT OF THE REGISTRANT AS FILED IN PART IIA OF FORM X-17A-5**

**SCHEDULE 2**

December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Aggregate indebtedness:		
Aggregate indebtedness as reported by registrant in Part IIA of Form X-17A-5 as of December 31, 2002 and 2001	\$ 39,564	\$ 123,090
Year-end audit adjustments:		
Additional accounts payable	18,746	--
Less life insurance loan	<u>--</u>	<u>(100,000)</u>
Aggregate indebtedness as computed on Schedule 1	<u>\$ 58,310</u>	<u>\$ 23,090</u>
Net capital:		
Net capital as reported by the registrant in Part IIA of Form X-17A-5 as of December 31, 2002 and 2001	\$ 502,912	\$ 398,959
Year-end audit adjustments:		
Add adjustments to haircuts on securities owned	--	1,298
Less additional accounts payable	<u>(18,746)</u>	<u>--</u>
Net capital as computed on Schedule 1	<u>\$ 484,166</u>	<u>\$ 400,257</u>