

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

AB 3/4/03



03011950

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2004
Estimated average burden
hours per response... 12.00

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

SEC MAIL RECEIVED
FEB 27 2003
WASH. D.C. 155
SECTION 155

SEC. FILE NUMBER
8-22567

**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: STOFAN, AGAZZI & COMPANY INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2301 GLENWOOD AVENUE

(No. and Street)

JOLIET

ILLINOIS

60435

(City)

(State)

(Zip Code)

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

GEORGE M. STOFAN

(815) 729-1266

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SLATTERY, NOONAN & THORNTON, LLC

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

701 ESSINGTON ROAD, SUITE 100

JOLIET

ILLINOIS

60435

(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 13 2003

**THOMSON
FINANCIAL**

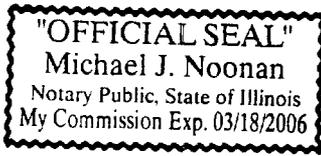
FOR OFFICIAL USE ONLY

*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, George M. Stofan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stofan, Agazzi & Company Inc., as of December 31, 20 02, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



Michael J. Noonan
Notary Public

George M. Stofan
Signature

President

Title

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditors' Report on Internal Control.

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

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)

SLATTERY, NOONAN & THORNTON, LLC

70

ADDRESS

701 ESSINGTON ROAD, SUITE 100

71

JOLIET

72

IL

73

60435

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States
or any of its possessions

77

FOR SEC USE

--	--

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				

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER
STOFAN, AGAZZI & COMPANY INC.

N 2

100

STATEMENT OF FINANCIAL CONDITION

as of (MM/DD/YY) 12/31/02 99
 SEC FILE NO. 8-22567 98
 Consolidated 198
 Unconsolidated 199

	ASSETS			Total	
	Allowable	Non-Allowable		Allowable	Non-Allowable
1. Cash	\$ 243,498	200		\$ 243,498	750
2. Cash segregated in compliance with federal and other regulations		210			760
3. Receivable from brokers or dealers and clearing organizations:					
A. Failed to deliver:					
1. Includable in "Formula for Reserve Requirements"		220			
2. Other		230			770
B. Securities borrowed:					
1. Includable in "Formula for Reserve Requirements"		240			
2. Other		250			780
C. Omnibus accounts:					
1. Includable in "Formula for Reserve Requirements"		260			
2. Other		270			790
D. Clearing organizations:					
1. Includable in "Formula for Reserve Requirements"		280			
2. Other	119,789	290		119,789	800
E. Other		300	\$	550	810
4. Receivables from customers:					
A. Securities accounts:					
1. Cash and fully secured accounts		310			
2. Partly secured accounts		320		560	
3. Unsecured accounts				570	
B. Commodity accounts		330		580	
C. Allowance for doubtful accounts	()	335	()	590	820
5. Receivables from non-customers:					
A. Cash and fully secured accounts		340			
B. Partly secured and unsecured accounts		350		600	830
6. Securities purchased under agreements to resell		360	\$	605	840
7. Securities and spot commodities owned, at market value:					
A. Bankers acceptances, certificates of deposit and commercial paper		370			
B. U.S. and Canadian government obligations		380			
C. State and municipal government obligations		390			
D. Corporate obligations		400			

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER
STOFAN, AGAZZI & COMPANY INC.

as of 12/31/02

STATEMENT OF FINANCIAL CONDITION

		ASSETS			
		<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>	
E.	Stocks and warrants	\$ 410			
F.	Options	420			
G.	Arbitrage	422			
H.	Other securities	424			
I.	Sport commodities	430		\$ 850	
8.	Securities owned not readily marketable:				
A.	At Cost \$ 16,300	440	\$ 16,300	610	16,300
9.	Other investments not readily marketable:				
A.	At Cost \$	140			
B.	At estimated fair value	450	620		870
10.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
A.	Exempted securities .. \$	150			
B.	Other \$	160	630		880
11.	Secured demand notes - market value of collateral:				
A.	Exempted securities .. \$	170			
B.	Other \$	180	640		890
12.	Memberships in exchanges:				
A.	Owned, at market value \$ 31,000	190			
B.	Owned at cost		200	650	
C.	Contributed for use of company, at market value		660	200	900
13.	Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	670		910
14.	Property, furniture, equipment, leasehold improvements and rights under lease agreements:				
	At cost (net of accumulated depreciation and amortization).....	490	36,236	680	36,236
15.	Other Assets:				
A.	Dividends and interest receivable	500	690		
B.	Free shipments	510	700		
C.	Loans and advances	520	710		
D.	Miscellaneous	153,416	530	18,190	720
16.	TOTAL ASSETS	\$ 516,703	540	\$ 70,926	740
				\$ 587,629	940

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/02

STOFAN, AGAZZI & COMPANY INC.

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

Liabilities	A.I. Liabilities*	Non-A.I. Liabilities*	Total
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements"	\$ 1030	\$ 1240	\$ 1460
B. Other.....	1040	1250	1470
18. Securities sold under repurchase agreement....		1260	1480
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements"	1050	1270	1490
2. Other.....	1060	1280	1500
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements"	1070		1510
2. Other.....	1080	1290	1520
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	1090		1530
2. Other.....	1095	1300	1540
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	1100		1550
2. Other.....	1105	1310	1560
E. Other:	1110	1320	1570
20. Payable to customers:			
A. Securities accounts-including free credits of\$ 950	1120		1580
B. Commodities accounts	1130	1330	1590
21. Payable to non customers:			
A. Securities accounts	1140	1340	1600
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value-including arbitrage of\$ 960		1360	1620
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable	1160		1630
B. Accounts payable	6,593	1170	6,593
C. Income taxes payable	1180		1650
D. Deferred income taxes		1370	1660
E. Accrued expenses and other liabilities	45	1190	45
F. Other	1200	1380	1680

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/02

STOFAN, AGAZZI & COMPANY INC.

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

<u>Liabilities</u>	A.I. Liabilities*	Non-A.I. Liabilities*	Total
24. Notes and mortgages payable:			
A. Unsecured	\$ 1210		\$ 1690
B. Secured	\$ 1211	\$ 1390	\$ 1700
25. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders ²⁴ \$ 970			
2. Includes equity subordination (15c3-1(d)) of	\$ 980		
B. Securities borrowings, at market value		1410	1720
from outsiders \$ 990			
C. Pursuant to secured demand note collateral agreements		1420	1730
1. from outsiders \$ 1000			
2. Includes equity subordination (15c3-1(d)) of	\$ 1010		
D. Exchange memberships contributed for use of company, at market value		²⁶ 1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
26. TOTAL LIABILITIES	\$ 6,638 1230	\$ 1450	\$ 6,638 1760
Ownership Equity			
27. Sole Proprietorship			\$ 1770
28. Partnership-limited partners	\$ 1020		\$ 1780
29. Corporation:			
A. Preferred stock			1791
B. Common stock		²⁸ 450	1792
C. Additional paid-in capital			89,550 1793
D. Retained earnings			526,288 1794
E. Total			616,288 1795
F. Less capital stock in treasury			(35,297) 1796
30. TOTAL OWNERSHIP EQUITY			\$ 580,991 1800
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 587,629 1810

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/02

STOFAN, AGAZZI & COMPANY INC.

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition - Item 1800	\$	580,991	3480
2. Deduct Ownership equity not allowable for Net Capital		()	3490
3. Total ownership equity qualified for Net Capital		580,991	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	\$	580,991	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	\$	70,926	3540
1. Additional charges for customers' and non-customers' security accounts	\$		3550
2. Additional charges for customers' and non-customers' commodity accounts			3560
B. Aged fail-to-deliver			3570
1. Number of items	29	3450	
C. Aged spot security differences-less reserve of	\$	3460	3580
number of items		3470	30
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities - proprietary capital charges			3600
F. Other deductions and/or charges			3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)			3615
H. Total deductions and/or charges		(70,926)	3620
7. Other additions and/or allowable credits (List)			3630
8. Net capital before haircuts on securities positions	\$	510,065	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$	1,000	3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper	31		3680
2. U.S. and Canadian government obligations			3690
3. State and municipal government obligations			3700
4. Corporate obligations			3710
5. Stocks and warrants			3720
6. Options			3730
7. Arbitrage			3732
8. Other securities	32		3734
D. Undue Concentration			3650
E. Other (List)			3736
		(1,000)	3740
10. Net Capital	\$	509,065	3750

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER
STOFAN, AGAZZI & COMPANY INC.

as of 12/31/02

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19)	\$	442	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)	\$	250,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	250,000	3760
14. Excess net capital (line 10 less 13)	\$	259,065	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	35\$	508,402	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	6,638	3790
17. Add:			
A. Drafts for immediate credit	34\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	\$		3838
19. Total aggregate indebtedness	\$	6,638	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	1.3	3850
21. Percentage of aggregate indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 ÷ by line 10 less item 4880 page 25)	%	1.3	3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debt items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	36\$	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. Percentage of Net Capital to Aggregate Debts (line 10 ÷ by line 17 page 8)	%		3851
27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debts (line 10 less item 4880 page 11 ÷ by line 17 page 8)	%		3854
28. Net capital in excess of the greater of:			
A. 5% of combines aggregate debit items or \$120,000	\$		3920

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%		3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital	%		3852

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 $\frac{2}{3}$ % 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 notes 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.

PART II - FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

BROKER OR DEALER STOFAN, AGAZZI & COMPANY INC.	For the period (MMDDYY) from 01/01/02 3932 to 12/31/02 3933	3933
	Number of months included in this statement 12	3931

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:		
a. Commissions on transactions in listed equity securities executed on an exchange	\$ 470,868	3935
b. Commissions on transactions in exchange listed equity securities executed over-the-counter	228,539	3937
c. Commissions on listed option transactions	36,189	3938
d. All other securities commissions	71,014	3939
e. Total securities commissions	806,610	3940
2. Gains or losses on firm securities trading accounts		
a. From market making in over-the-counter equity securities		3941
1. Includes gains or (losses) OTC market making in exchange listed equity securities	3943	
b. From trading in debt securities		3944
c. From market making in options on a national securities exchange		3945
d. From all other trading		3949
e. Total gains or (losses)		3950
3. Gains or losses on firm securities investment accounts		
a. Includes realized gains (losses)	4235	
b. Includes unrealized gains (losses)	4236	
c. Total realized and unrealized gains (losses)		3952
4. Profits or (losses) from underwriting and selling groups		
a. Includes underwriting income from corporate equity securities	4237	3955
5. Margin interest		
		3960
6. Revenue from sale of investment company shares		
	567,517	3970
7. Fees for account supervision, investment advisory and administrative services		
		3975
8. Revenue from research services		
		3980
9. Commodities revenue		
		3990
10. Other revenue related to securities business		
		3985
11. Other revenue		
	205,971	3995
12. Total revenue		
	\$ 1,580,098	4030

EXPENSES

13. Registered representative's compensation		
	\$ 484,079	4110
14. Clerical and administrative employees' expenses		
	156,031	4040
15. Salaries and other employment costs for general partners, and voting stockholder officers		
	316,839	4120
a. Includes interest credited to General and Limited Partners capital accounts	4130	
16. Floor brokerage paid to certain brokers (see definition)		
		4055
17. Commissions and clearance paid to all other brokers (see definition)		
		4145
18. Clearance paid to non-brokers (see definition)		
		4135
19. Communications		
		4060
20. Occupancy and equipment costs		
		4080
21. Promotional costs		
		4150
22. Interest expense		
		4075
a. Includes interest on accounts subject to subordination agreements	4070	
23. Losses in error account and bad debts		
		4170
24. Data processing costs (including service bureau service charges)		
		4186
25. Non-recurring charges		
		4190
26. Regulatory fees and expenses		
	15,222	4195
27. Other expenses		
	620,832	4100
28. Total expenses		
	\$ 1,593,603	4200

NET INCOME

29. Income (loss) before Federal income taxes and items below (Item 12 less Item 28)		
	(13,505)	4210
30. Provision for Federal income taxes (for parent only)		
	1,054	4220
31. Equity in earnings (losses) of unconsolidated subsidiaries not included above		
		4222
a. After Federal income taxes of	4238	
32. Extraordinary gains (losses)		
		4224
a. After Federal income taxes of	4239	
33. Cumulative effect of changes in accounting principles		
		4225
34. Net income (loss) after Federal income taxes and extraordinary items		
	\$ (14,559)	4230

MONTHLY INCOME

35. Income (current month only) before provision for Federal income taxes and extraordinary items		
	\$	4211

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER
STOFAN, AGAZZI & COMPANY INC.

as of 12/31/02

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (See Rule 15c3-3, Exhibit A and Related Notes)

CREDIT BALANCES

1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3)	46	\$		4340
2. Monies borrowed collateralized by securities carried for the accounts of customers (see Note B)				4350
3. Monies payable against customers' securities loaned (see Note C)				4360
4. Customers' securities failed to receive (see Note D)				4370
5. Credit balances in firm accounts which are attributable to principal sales to customers				4380
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days				4390
7. **Market value of short security count differences over 30 calendar days old				4400
8. **Market value of short securities and credits (not to be offset by logs or by debits) in all suspense accounts over 30 calendar days	47			4410
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days				4420
10. Other (List)				4425
11. TOTAL CREDITS			\$	4430

DEBIT BALANCES

12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3	44	\$		4440
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver				4450
14. Failed to deliver of customers' securities not older than 30 calendar days				4460
15. Margin required and on deposit with Options Clearing Corporation for all option contracts written or purchased in customer accounts (see Note F)				4465
16. Other (List)	48			4469
17. **Aggregate debit items			\$	4470
18. **Less 3% (for alternative method only—see Rule 15c3-1(f)(5)(i))				4471
19. **TOTAL 14c3-3 DEBITS			\$	4472

RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11)	49	\$		4480
21. Excess of total credits over total debits (line 11 less line 19)				4490
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits				4500
23. Amount held on deposit in "Reserve Bank Account(s)," including value of qualified securities, at end of reporting period				4510
24. Amount of deposit (or withdrawal) including \$ 4515 value of qualified securities				4520
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ 4525 value of qualified securities			\$	4530
26. Date of deposit (MMDDYY)				4540

FREQUENCY OF COMPUTATION

27. Daily ⁵⁰ 4332 Weekly 4333 Monthly 4334

** In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER
STOFAN, AGAZZI & COMPANY INC.

as of 12/31/02

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (continued)

EXEMPTIVE PROVISIONS

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

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			4560
C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.			
Name of clearing firm ^{s1} <u>8-975 CITY SECURITIES CORPORATION</u>		4335	X
Name of clearing firm ^{s2}			4570
D. (k)(3) — Exempted by order of the Commission			4580

Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and number of items of:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frame specified under Rule 15c3-3. Notes A and B				\$		4586
A. Number of items			4587			
2. Customers' fully paid securities and excess margin securities for which instructions to reduce possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D				\$		4588
A. Number of items			4589			OMIT PENNIES
3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3					Yes	4584
					No	4585

NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent with the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

as of 12/31/02

STOFAN, AGAZZI & COMPANY INC.

SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION

CUSTOMER'S REGULATED COMMODITY FUTURES ACCOUNTS

SEGREGATION REQUIREMENTS

1. Net ledger balance:		
A. Cash		7010
B. Securities (at market)		7020
2. Net unrealized profit (loss) in open futures contracts traded on a contract market		7030
3. Exchange traded options:		
A. Add: Market Value of an open option contracts purchased on a contract market		7032
B. Deduct: Market Value of an open option contracts granted (sold) on a contract market		7033
4. Net equity (deficit) (total of 1, 2 and 3)		7040
5. Add accounts liquidating to a deficit and accounts with debit balances with no open trades		7050
6. Amount required to be segregated (total of 5 and 4)		7060

FUNDS ON DEPOSIT IN SEGREGATION

7. Deposited in segregated funds bank accounts:		
A. Cash		7070
B. Securities representing investments of customers' fund (at market)		7080
C. Securities held in particular customers or option customers in lieu of cash (at market)		7090
8. Margin on deposits with clearing organizations of contract markets:		
A. Cash		7100
B. Securities representing investments of customers' fund (at market)		7110
C. Securities held in particular customers or option customers in lieu of cash (at market)		7120
9. Settlement due from (to) clearing organizations of contract markets		7130
10. Exchange traded options:		
A. Add: Unrealized receivables for option contracts purchased on contract markets		7132
B. Deduct: Unrealized obligations for option contracts granted (sold) on contract markets		7133
11. Net equities with other FCMs		7140
12. Segregated funds on hand:		
A. Cash		7150
B. Securities representing investments of customers' funds (at market)		7160
C. Securities held for particular customers in lieu of cash (at market)		7170
13. Total amount in segregation *total of 7 through 12)		\$ 7180
14. Excess (insufficiency) funds in segregation (13 minus 6)		\$ 7190

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER
STOFAN, AGAZZI & COMPANY INC.

as of 12/31/02

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 Proposal 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)	
54	4600	4601	4602 \$	4603	4604	4605
55	4610	4611	4612	4613	4614	4615
56	4620	4621	4622	4623	4624	4625
57	4630	4631	4632	4633	4634	4635
58	4640	4641	4642	4643	4644	4645
59	4650	4651	4652	4653	4654	4655
60	4660	4661	4662	4663	4664	4665
61	4670	4671	4672	4673	4674	4675
62	4680	4681	4682	4683	4684	4685
63	4690	4691	4692	4693	4694	4695
Total \$				64	4699*	

OMIT PENNIES

* To agree with the total on Recap (Item No. 4880)

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:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1(c)(2)(iv) Liabilities

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
Capital Withdrawals
PART II

BROKER OR DEALER
 STOFAN, AGAZZI & COMPANY, INC.

as of 12/31/02

RECAP

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.

1. Equity Capital			
A. Partnership Capital:			
1. General Partners	65 \$	4700	
2. Limited		4710	
3. Undistributed Profits		4720	
4. Other (describe below)		4730	
5. Sole Proprietorship		4735	
B. Corporation Capital:			
1. Common Stock		4740	
2. Preferred Stock		4750	
3. Retained Earnings (Dividends and Other)	66	4760	
4. Other (describe below)		4770	
2. Subordinated Liabilities			
A. Secured Demand Notes		4780	
B. Cash Subordinates		4790	
C. Debentures		4800	
D. Other (describe below)		4810	
3. Other Anticipated Withdrawals			
A. Bonuses		4820	
B. Voluntary Contributions to Pension or Profit Sharing Plans	67	4860	
C. Other (describe below)		4870	
Total			\$ 4880
4. Description of Other			
.....			
.....			
.....			

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

1. Balance, beginning of period	\$	595,550	4240
A. Net income (loss)		(14,559)	4250
B. Additions (includes non-conforming capital of	\$	4263	68 4260
C. Deductions (includes non-conforming capital of	\$	4272	4270
2. Balance, end of period (From Item 1800)	\$	580,991	4290

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS

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

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/02

STOFAN, AGAZZI & COMPANY INC.

FINANCIAL AND OPERATIONAL DATA

<p>1. Month end total number of stock record breaks unresolved over three business days</p> <p>A. breaks long</p> <p>B. breaks short</p> <p>2. Is the firm in compliance with Rule 17a-13 regarding periodic count and verification of securities positions and locations at least once in each calendar quarter? (Check one)</p> <p>3. Personnel employed at end of reporting period:</p> <p>A. Income producing personnel</p> <p>B. Non-income producing personnel (all other)</p> <p>C. Total</p> <p>4. Actual number of tickets executed during current month of reporting period</p> <p>5. Number of corrected customer confirmations mailed after settlement date</p>	<p>Valuation</p> <p>\$ 4890</p> <p>\$ 4910</p> <p>Yes <input checked="" type="checkbox"/> 4930</p> <p>No <input type="checkbox"/> 4940</p>	<p>Number</p> <p>4900</p> <p>4920</p> <p>4930</p> <p>4940</p> <p>8</p> <p>6</p> <p>14</p> <p>807</p> <p>4990</p>
---	--	--

	No. of Items	Debit (Short Value)		No. of Items	Credit (Long Value)
6. Money differences	5000	\$ 5010		5020	\$ 5030
7. Security suspense accounts	5040	\$ 5050		5060	\$ 5070
8. Security difference accounts	5080	\$ 5090		5100	\$ 5110
9. Commodity suspense accounts	5120	\$ 5130		5140	\$ 5150
10. Open transactions with correspondents, other brokers, clearing organizations, depositories and interoffice and inter-company accounts which could result in a charge — unresolved amounts over 30 calendar days	5160	\$ 5170		5180	\$ 5190
11. Bank account reconciliations — unresolved amounts over 30 calendar days	5200	\$ 5210		5220	\$ 5230
12. Open transfers over 40 calendar days, not confirmed ..	5240	\$ 5250		5260	\$ 5270
13. Transactions in reorganization accounts — over 60 calendar days	5280	\$ 5290		5300	\$ 5310
14. Total	5320	\$ 5330		5340	\$ 5350

	No. of Items	Leger Amount		Market Value
15. Failed to deliver 11 business days or longer (21 Business Days or longer in the case of Municipal Securities)	5360	\$ 5361		5362
16. Failed to receive 11 business days or longer (21 business Days or longer in the case of Municipal Securities)	5363	\$ 5364		5365
17. Security concentrations (See instructions in Part I):				
A. Proprietary positions				5370
B. Customers' accounts under Rule 15c3-3				5374
18. Total of personal capital borrowings due within six months				5378
19. Maximum haircuts on underwriting commitments during the period				5380
20. Planned capital expenditures for business expansion during next six months				5382
21. Liabilities of other individuals or organizations guaranteed by respondent				5384
22. Lease and rentals payable within one year				5386
23. Aggregate lease and rental commitments payable for entire term of the lease				
A. Gross				5388
B. Net				5390

OMIT PENNIES

STOFAN, AGAZZI & COMPANY INC.
DIFFERENCES IN COMPUTATION OF NET CAPITAL AND AGGREGATE
INDEBTEDNESS FROM DEALER'S UNAUDITED COMPUTATION
December 31, 2002 and 2001

	<u>2002</u>		<u>2001</u>	
	<u>Net Capital</u>	<u>Aggregate Indebtedness</u>	<u>Net Capital</u>	<u>Aggregate Indebtedness</u>
Balance per dealer's unaudited computation (unaudited)	\$ 464,138	\$ 48,301	\$ 502,120	\$ 30,748
Reconciling items:				
Net audit adjustments	44,927	(41,663)	31,375	(5,806)
Non-allowable assets erroneously reported as allowable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance per audited financial statements less non-allowable assets	<u>\$ 509,065</u>	<u>\$ 6,638</u>	<u>\$ 533,495</u>	<u>\$ 24,942</u>

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00

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

FOCUS REPORT

FORM X-17A-5

SCHEDULE I

(To be filed annually as of the end of calendar year)

Contents

Schedule I

**INFORMATION REQUIRED OF ALL BROKERS
AND DEALERS PURUSANT TO RULE 17a-5**

* * * * *

STOFAN, AGAZZI & COMPANY INC.

Name of Respondent

Persons who are to 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.

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2004
Estimated average burden
hours per response..... 12.00

Form
X-17A-5

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
Schedule I

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17a-5
Report for the Calendar Year 20 02 ¹ 8004
of if less than 12 months

Report for the period beginning / / 8005 and ending / / 8006
MM DD YY MM DD YY

SEC FILE NUMBER
8- 22567 8011

1. NAME OF BROKER DEALER

▼
² STOFAN, AGAZZI & COMPANY INC.

8020

N9

OFFICIAL USE ONLY

8021

Firm No. M M Y Y

2. Name(s) of Broker-dealer(s) merging with respondent during reporting period:

▼
³ NAME: None

8053

OFFICIAL USE ONLY

▼⁴⁰

8057

▼
⁴ NAME: _____

8054

8058

▼
⁵ NAME: _____

8055

8059

▼
⁶ NAME: _____

8056

8060

3. Respondent conducts a securities business exclusively with registered broker-dealers:

(enter applicable code: 1 = Yes 2 = No)

⁷

1 8073

4. Respondent is registered as a specialist on a national securities exchange.

(enter applicable code: 1 = Yes 2 = No)

2 8074

5. Respondent is registered as a specialist on a national securities exchange.

(a) equity securities (enter applicable code: 1 = Yes 2 = No)

2 8075

(b) municipals (enter applicable code: 1 = Yes 2 = No)

2 8076

(a) other debt instruments (enter applicable code: 1 = Yes 2 = No)

2 8077

6. Respondent is registered solely as a municipal bond dealer:

(enter applicable code: 1 = Yes 2 = No)

2 8078

7. Respondent is an insurance company or an affiliate of an insurance company:

(enter applicable code: 1 = Yes 2 = No)

2 8079

8. Respondent carries its own public customer accounts:

(enter applicable code: 1 = Yes 2 = No)

⁸
2 8084

9. Respondent's total number of public customer accounts:

(carrying firms filing X-17A-5 Part II only)

(a) Public customer accounts

8080

(b) Omnibus accounts

8081

10. Respondent clears its public customer and/or proprietary accounts:

(enter applicable code: 1 = Yes 2 = No)

2 8085

FOCUS REPORT

Schedule I

page 2

11. Respondent clears its public customer accounts in the following manner:

(enter a "1" in appropriate boxes)

- (a) Direct Mail (New York Stock Exchange Members Only) 8086
- (b) Self-Clearing 8087
- (c) Omnibus 8088
- (d) Introducing 8089
- (e) Other 8090

If Other please describe:

- (f) Not applicable 1 8091

12. (a) Respondent maintains membership(s) on national securities exchange(s):

(enter applicable code: 1 = Yes 2 = No)

1 8100

(b) Names of national securities exchange(s) in which respondent maintains memberships:

(enter a "1" in appropriate boxes)

- (1) American 8120
- (2) Boston 8121
- (3) CBOE 8122
- (4) Midwest 1 8123
- (5) New York 8124
- (6) Philadelphia 8125
- (7) Pacific Coast 8126
- (8) Other 8129

13. Employees:

(a) Number of full-time employees 9 8101

(b) Number of full-time registered representatives employed by respondent included in 13(a) 8 8102

14. Number of NASDAQ stocks respondent makes market 11 8103

15. Total number of underwriting syndicates respondent was a member 8104

(Carrying or clearing firms filing X-17A-5 Part II)

16. Number of respondent's public customer transactions: Actual 8105

Estimate 8106

(a) equity securities transactions effected on a national securities exchange 8107

(b) equity securities transactions effected other than on a national securities exchange 8108

(c) commodity, bond, option, and other transactions effected on or off a national securities exchange 8109

FOCUS REPORT

Schedule I

page 3

17. Respondent is a member of the Securities Investor Protection Corporation
(enter applicable code: 1 = Yes 2 = No) ... 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000 1001 1002 1003 1004 1005 1006 1007 1008 1009 1010 1011 1012 1013 1014 1015 1016 1017 1018 1019 1020 1021 1022 1023 1024 1025 1026 1027 1028 1029 1030 1031 1032 1033 1034 1035 1036 1037 1038 1039 1040 1041 1042 1043 1044 1045 1046 1047 1048 1049 1050 1051 1052 1053 1054 1055 1056 1057 1058 1059 1060 1061 1062 1063 1064 1065 1066 1067 1068 1069 1070 1071 1072 1073 1074 1075 1076 1077 1078 1079 1080 1081 1082 1083 1084 1085 1086 1087 1088 1089 1090 1091 1092 1093 1094 1095 1096 1097 1098 1099 1100 1101 1102 1103 1104 1105 1106 1107 1108 1109 1110 1111 1112 1113 1114 1115 1116 1117 1118 1119 1120 1121 1122 1123 1124 1125 1126 1127 1128 1129 1130 1131 1132 1133 1134 1135 1136 1137 1138 1139 1140 1141 1142 1143 1144 1145 1146 1147 1148 1149 1150 1151 1152 1153 1154 1155 1156 1157 1158 1159 1160 1161 1162 1163 1164 1165 1166 1167 1168 1169 1170 1171 1172 1173 1174 1175 1176 1177 1178 1179 1180 1181 1182 1183 1184 1185 1186 1187 1188 1189 1190 1191 1192 1193 1194 1195 1196 1197 1198 1199 1200 1201 1202 1203 1204 1205 1206 1207 1208 1209 1210 1211 1212 1213 1214 1215

Slattery, Noonan & Thornton || **LLC**

**Independent Auditor's Report on Internal Control
Required by Securities Exchange Commission Rule 17a-5**

To the Board of Directors
of Stofan, Agazzi & Company Inc.

In planning and performing our audit of the financial statements of Stofan, Agazzi & Company Inc. (the Company), for the year ended December 31, 2002, we considered its internal control, 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 including tests of compliance with 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.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in

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

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to 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 internal control, including control activities 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 December 31, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Securities Investors Protection Corporation, the New York Stock Exchange, 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.

Slattery, Noonan & Thornton, LLC

Joliet, Illinois
January 31, 2003

STOFAN, AGAZZI & COMPANY INC.

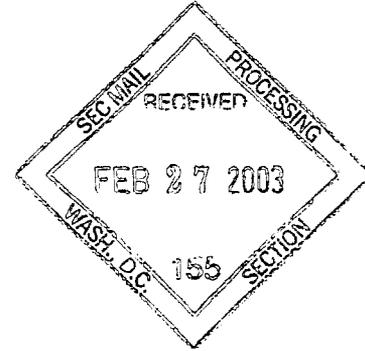
FINANCIAL REPORT
December 31, 2002 and 2001

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Financial Condition.....	2
Statements of Income.....	4
Statements of Changes in Stockholders' Equity.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7
SUPPLEMENTAL INFORMATION.....	11
Schedules of Operating Expenses.....	12
Form X-17A-5 Part III – Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder.....	13
Form X-17A-5 Part II, FOCUS Report.....	15
Difference in Computation of Net Capital and Aggregate Indebtedness from Dealer's Unaudited Computation.....	30
Form X-17A-5 FOCUS Report – Schedule I.....	31
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC. RULE 17A-5.....	35

Slattery, Noonan & Thornton LLC

INDEPENDENT AUDITORS' REPORT



To the Board of Directors
of Stofan, Agazzi & Company Inc.

We have audited the accompanying statement of financial condition of Stofan, Agazzi & Company Inc. (a Delaware Corporation) as of December 31, 2002, and the related statements of income, changes in stockholders' equity, and cash flows for the year 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. The financial statements of Stofan, Agazzi & Company Inc. as of December 31, 2001 were audited by other auditors whose report dated January 18, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the financial position of Stofan, Agazzi & Company Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information, including the information on pages 14 through 37 that is required by rule 17a-5 of the Securities and Exchange Act of 1934, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

Slattery, Noonan & Thornton, LLC

Joliet, Illinois
January 31, 2003

STOFAN, AGAZZI & COMPANY INC.
STATEMENTS OF FINANCIAL CONDITION
December 31, 2002 and 2001

ASSETS	2002	2001
Current assets		
Cash	\$ 22,981	\$ 5,484
Temporary investments	220,517	259,071
Receivables from clearing organization	69,789	80,813
Income tax refunds receivable	2,777	7,620
Prepaid expenses	<u>15,413</u>	<u>17,491</u>
Total current assets	<u>331,477</u>	<u>370,479</u>
Furniture, fixtures and leasehold improvements		
Furniture and fixtures	71,814	70,579
Leasehold improvements	<u>97,042</u>	<u>97,042</u>
Total, at cost	168,856	167,621
Less accumulated depreciation	<u>132,620</u>	<u>127,977</u>
Total furniture, fixtures and leasehold improvements	<u>36,236</u>	<u>39,644</u>
Other assets		
Investment in NASDAQ	16,300	16,300
Deposit with clearing organization	50,000	50,000
Membership in exchange, at cost	200	200
Cash value of officers' life insurance	<u>153,416</u>	<u>143,869</u>
Total other assets	<u>219,916</u>	<u>210,369</u>
 Total assets	 <u><u>\$ 587,629</u></u>	 <u><u>\$ 620,492</u></u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
Current liabilities		
Accounts payable	\$ 6,593	\$ 2,885
Accrued expenses:		
Profit sharing	-	16,330
Other	45	5,727
	<u>6,638</u>	<u>24,942</u>
Total current liabilities		
Stockholders' equity		
Common stock, \$.50 par value, authorized 1800 shares, issued 900 shares, and outstanding 800 shares	450	450
Additional paid-in capital	89,550	89,550
Retained earnings	526,288	540,847
	<u>616,288</u>	<u>630,847</u>
Less: 100 shares of common stock in treasury, at cost	35,297	35,297
	<u>580,991</u>	<u>595,550</u>
Total stockholders' equity		
Total liabilities and Stockholders' equity	<u>\$ 587,629</u>	<u>\$ 620,492</u>

The accompanying notes are an integral part of these statements.

STOFAN, AGAZZI & COMPANY INC.
STATEMENTS OF INCOME
Years ended December 31, 2002 and 2001

	2002	2001
Revenues		
Commissions	\$ 1,543,681	\$ 1,567,022
Miscellaneous	36,417	55,827
Total revenues	<u>1,580,098</u>	<u>1,622,849</u>
Expenses		
Employee compensation, commissions and benefits	957,549	959,149
Ticket charges and floor brokerage	196,554	224,354
Payroll taxes	54,329	52,558
Operating expenses	385,171	380,078
Total expenses	<u>1,593,603</u>	<u>1,616,139</u>
Income (loss) before income taxes	(13,505)	6,710
PROVISION FOR INCOME TAXES, currently payable	<u>1,054</u>	<u>6,470</u>
NET INCOME (LOSS)	<u>\$ (14,559)</u>	<u>\$ 240</u>
EARNINGS (LOSS) PER COMMON SHARE	<u>\$ (18.20)</u>	<u>\$ 0.30</u>

The accompanying notes are an integral part of these statements.

STOFAN, AGAZZI & COMPANY INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2002 and 2001

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	
	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Amount</u>
BALANCE AT						
DECEMBER 31, 2000	800	\$ 450	\$ 89,550	\$ 540,607	100	\$ (35,297)
Net income		-	-	240		-
BALANCE AT						
DECEMBER 31, 2001	800	450	89,550	540,847	100	(35,297)
Net (loss)		-	-	(14,559)		-
BALANCE AT						
DECEMBER 31, 2002	<u>800</u>	<u>\$ 450</u>	<u>\$ 89,550</u>	<u>\$ 526,288</u>	<u>100</u>	<u>\$ (35,297)</u>

The accompanying notes are an integral part of these statements.

STOFAN, AGAZZI & COMPANY INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities		
Net income (loss)	\$ (14,559)	\$ 240
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	4,643	5,654
Interest added to temporary investments	(1,446)	(2,609)
(Increase) decrease in cash value of life insurance	(446)	946
Effects of changes in operating assets and liabilities:		
Receivables from clearing organization	11,024	65,017
Income tax refunds receivable	4,843	(7,620)
Income taxes payable	-	(3,022)
Prepaid expenses	2,078	(629)
Accounts payable and accrued expenses	<u>(18,304)</u>	<u>(111,697)</u>
Net cash (used in) operating activities	<u>(12,167)</u>	<u>(53,720)</u>
Cash flows from investing activities		
Proceeds from transfer of temporary investments	40,000	300,000
Purchases of temporary investments	-	(300,000)
Premiums applied to cash value of life insurance	(9,101)	(9,101)
Purchases of furniture, fixtures and leasehold improvements	<u>(1,235)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>29,664</u>	<u>(9,101)</u>
Net increase (decrease) in cash	17,497	(62,821)
Cash, beginning of year	<u>5,484</u>	<u>68,305</u>
Cash, end of year	<u>\$ 22,981</u>	<u>\$ 5,484</u>

The accompanying notes are an integral part of these statements.

STOFAN, AGAZZI & COMPANY INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and nature of business

Stofan, Agazzi & Company Inc. was incorporated on April 1, 1978, in the state of Delaware. The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD). The Company's principal business activity is to purchase and sell securities as agent or broker for its customers consisting of individuals and various types of businesses located primarily in the Joliet, Illinois area. The Company's fiscal year ends on December 31.

Note 2. Significant accounting policies

Basis of Presentation and Commission Revenue and Expense

The Company maintains its books on the accrual basis of accounting. Securities transactions are recorded on a settlement date basis with related commission revenue and expense recorded on a trade date basis.

Concentration of Credit Risk

The Company maintains several bank accounts. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$100,000. The Company's insured account balances at times exceed federally insured limits.

Temporary Investments

Temporary investments consist of certificates of deposit and money market accounts and are carried at cost, which approximates market value.

Depreciation

Furniture and fixtures are depreciated using accelerated methods over their estimated useful lives which range from five to seven years. Leasehold improvements are amortized using the straight-line method over their estimated useful lives, five to thirty-nine years.

Exchange Membership

Exchange membership is recorded at cost.

Income Taxes

The Company is taxed under the Internal Revenue Code as a Corporation. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates.

STOFAN, AGAZZI & COMPANY INC.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Fully Disclosed Method of Operations

The Company transacts business on a fully disclosed basis with City Securities, Inc. of Indianapolis, Indiana. All customers' positions and balances are carried on the books of City Securities, Inc.

Advertising Costs

The Company expenses advertising costs when paid.

Note 3. Membership in Exchange

The market value of the membership in exchange (Chicago Stock Exchange), which the Company owns, was \$31,000 at December 31, 2002, and \$60,000 at December 31, 2001. The market value was determined by reference to information provided by the exchange based on the last sale of a membership in 2002 and 2001.

The Company leases the membership in exchange to a third party. The lease will expire on August 20, 2003. Rental income recognized from this lease was \$31,200 and \$42,200 in 2002 and 2001, respectively.

Note 4. Officers' Life Insurance

The Company is the owner and beneficiary of life insurance policies carried on its officers. The cash surrender values and face amounts of the policies are as follows:

<u>Officer</u>	<u>Face Amount of Policies</u>		<u>Cash Surrender Value</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
George M. Stofan	\$ 262,500	\$ 262,500	\$ 119,897	\$ 113,682
Robert A. Agazzi	159,000	159,000	33,519	30,187
Total	<u>\$ 421,500</u>	<u>\$ 421,500</u>	<u>\$ 153,416</u>	<u>\$ 143,869</u>

STOFAN, AGAZZI & COMPANY INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Common Stock and Earnings (Loss) Per Common Share

Earnings (loss) per common share was computed by dividing net income for the year by the weighted average number of common shares outstanding during the year, 800 shares for 2002 and 2001.

Note 6. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission uniform Net Capital Rule (SEC 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 December 31, 2002 and 2001, the Company had net capital, as defined, of \$509,065 and \$533,495, respectively, which exceeded the minimum net capital requirement of \$250,000 at December 31, 2002 and 2001. The Company's aggregate indebtedness to net capital ratio, as defined, was .01 to 1 and .05 to 1 at December 31, 2002 and 2001, respectively, which were below the maximum ratio allowed.

Note 7. Total Rent Expense and Lease Commitments

The Company leases office equipment and automobiles under operating leases from Stofan Leasing Company, a related party through common ownership. The office equipment lease, which expired in November 2002, has continued on a month to month basis and requires a \$90 monthly payment. Future minimum lease payments under these leases are \$28,380 for the year ending December 31, 2003, and \$9,480 for the year ending December 31, 2004.

Total rental expense under these leases was \$28,380 and \$27,780 for the years ended December 31, 2002 and 2001, respectively.

The Company also rents office space from STAG Building Partnership, a related party partnership, under an informal month to month agreement requiring payments of \$7,000 per month for March 1 through December 31, 2002, and \$5,000 per month for January 1, 2001 through February 28, 2002. Total rent expense under this lease was \$80,000 for the year ended December 31, 2002 and \$60,000 for the year ended December 31, 2001.

Note 8. Advertising Costs

Total advertising costs recognized by the Company for the years ended December 31, 2002 and 2001 were \$41,741 and \$40,107, respectively.

STOFAN, AGAZZI & COMPANY INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Retirement Plans

The Company sponsors a retirement plan which is composed of two components, a profit sharing plan and a 401(k) plan. The profit sharing plan component covers employees meeting the plan eligibility requirements. Contributions to the plan were \$0 and \$8,273 for the years ended December 31, 2002 and 2001, respectively. Under the 401(k) plan component, the Company is obligated to match 25% of the aggregate salary reduction contribution made by the employees to the extent the aggregate contribution does not exceed 5% of eligible compensation. Company contributions to the 401(k) plan were \$10,537 and \$10,482 for the years ended December 31, 2002 and 2001, respectively.

Note 10. Income Taxes

A reconciliation of the provision for income taxes at the statutory federal tax rates to the Company's actual provision for income taxes is as follows:

	2002	2001
Computed at federal statutory rates	\$ 664	\$ 1,000
State income taxes, net of federal tax benefit	390	1,100
Nondeductible expenses	-	4,370
Total provision for income taxes	<u>\$ 1,054</u>	<u>\$ 6,470</u>

Note 11. Statement of Cash Flows Disclosures

Cash paid for income taxes was \$0 in 2002 and \$17,185 in 2001. There was no cash paid for interest expense in 2002 or 2001. There were no noncash investing and financing transactions for the years ended December 31, 2002 and 2001.

SUPPLEMENTAL INFORMATION

STOFAN, AGAZZI & COMPANY INC.
SCHEDULES OF OPERATING EXPENSES
Years ended December 31, 2002 and 2001

	2002	2001
Advertising	\$ 41,741	\$ 40,107
Legal and professional fees	5,069	12,206
Travel, promotion and entertainment	24,620	22,524
Contributions	815	1,030
Dues and subscriptions	16,756	19,297
Insurance	93,545	81,309
Office supplies and postage	28,030	26,639
Miscellaneous, including errors and omissions	8,779	9,133
Rent	80,000	60,000
Repairs and maintenance	4,479	6,408
Equipment rental	28,380	27,780
Outside contractors	331	3,542
News service	6,256	7,636
Telephone	8,588	12,838
Utilities	7,826	8,209
Penalties	-	73
Registration and other fees	15,222	15,992
Profit sharing and 401(k) contribution	10,537	18,755
Depreciation	4,643	5,654
Officers' life insurance, net	(446)	946
Total operating expenses	\$ 385,171	\$ 380,078