

Ad
3/11/2003



03014541 ES
SECURITIES COMMISSION
Washington, D.C. 20549

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 FILE NUMBER
8- 31461

**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: Cuttone and Company, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

111 Broadway

(No. and Street)

New York

(City)

NY

(State)

10006

(Zip Code)

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

Charles Kessler

(212) 374-9797

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Eichler Bergsman and Co., LLP

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

404 Park Avenue South, Suite 700 New York

(Address)

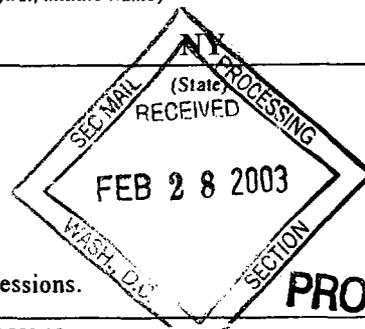
(City)

10016

(Zip Code)

CHECK ONE:

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



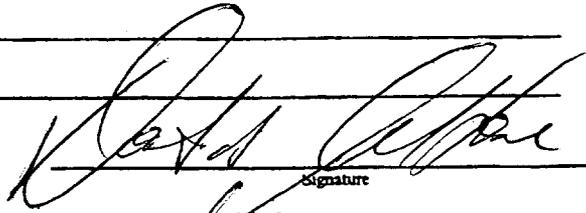
FOR OFFICIAL USE ONLY

PROCESSED
MAR 19 2003
THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption See Section 240 17a-5(e)(2)

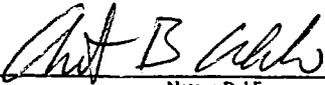
OATH OR AFFIRMATION

I, Donato A. Cuttone, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cuttone and Company, 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:


Signature

President / CEO

Title



Com # 01AL6079509

Notary Public

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~Changes in Financial Condition~~ Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' 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) Supplemental Report of Independent Auditors on Internal Control.

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

CUTTONE & COMPANY, INC.

DECEMBER 31, 2002

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL CONDITION	2
STATEMENT OF OPERATIONS	3
STATEMENT OF CASH FLOWS	4
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY	5
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF CREDITORS	6
NOTES TO FINANCIAL STATEMENTS	7-9
SUPPLEMENTARY INFORMATION:	
COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM NET CAPITAL RULE 15c3-1	10
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3	11



Eichler Bergsman & Co., LLP
Certified Public Accountants

404 Park Avenue South • New York, New York 10016

Tel 212•447•9001 Fax 212•447•9006

INDEPENDENT AUDITORS' REPORT

Gilbert Bergsman
Maurice Berkower
Paul Eichler
Michael E. Silverman

Roger D. Lorence, LLM

To the Stockholders and
Board of Directors of
Cuttone & Company, Inc.
New York, New York

We have audited the accompanying statement of financial condition of Cuttone & Company, Inc. as of December 31, 2002, and the related statements of operations, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 financial statements referred to above present fairly, in all material respects, the financial position of Cuttone & 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 information contained on page 10 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 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.

Eichler Bergsman & Co., LLP

New York, New York
February 18, 2003

CUTTONE & COMPANY, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002

ASSETS

Cash and cash equivalents (Note 1)	\$ 3,705,683
Receivable from brokers and clearing organizations	1,942,700
U.S. Treasury Bill, at market value (cost \$2,794,136)	2,795,639
Memberships in New York Stock Exchange contributed for the use of the company at market value	4,000,000
Furniture and equipment at cost, less accumulated depreciation of \$156,357 (Note 1)	6,203
Other assets	<u>566,866</u>
Total assets	<u>\$ 13,017,091</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:	
Accounts payable and accrued expenses	\$ 1,503,648
Due to officer	<u>289,513</u>
Total liabilities	<u>1,793,161</u>
Liabilities subordinated to claims of general creditors:	
Subordinated borrowings (Note 5)	175,000
Memberships in New York Stock Exchange contributed for the use of the company at market value	<u>4,000,000</u>
Total subordinations	<u>4,175,000</u>
Commitments and contingencies (Note 3)	
Stockholders' equity (Note 2)	
Common stock, \$1.00 par value, 2,000 authorized shares; 2,000 issued and outstanding shares	2,000
Additional paid-in capital	5,212,286
Retained earnings	<u>1,834,644</u>
Total stockholders' equity	<u>7,048,930</u>
Total liabilities and stockholders' equity	<u>\$ 13,017,091</u>

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

CUTTONE & COMPANY, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

Income:		
Commission income		\$ 27,909,841
Other income		<u>65,039</u>
	Total income	<u>27,974,880</u>
 Expenses:		
Salaries and bonuses		17,791,365
Payroll taxes and employee benefits		390,054
Error account		242,452
Commissions paid		859,242
Clearance charges		540,925
NYSE dues and expenses		853,327
NYSE membership lease expense		2,750,889
Interest paid for use of subordinated memberships		419,753
Interest paid on subordinated loans		175,639
Telephone		310,093
Quotron		180,263
Professional fees		251,269
Insurance		369,704
Rent		93,714
New York City and State General Corporation Taxes		278,287
Office and other expenses		<u>965,259</u>
	Total expenses	<u>26,472,235</u>
 Net profit		 <u>\$ 1,502,645</u>

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

CUTTONE & COMPANY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

Cash flows from operating activities:	
Net profit	<u>\$ 1,502,645</u>
Adjustments to reconcile net profit to net cash from operating activities:	
Depreciation	29,007
Increase in accounts receivable	(68,577)
Increase in other assets	(389,444)
Decrease in accounts, accrued expenses, and other payables	<u>(558,489)</u>
Total adjustments	<u>(987,503)</u>
Net cash provided by operating activities	<u>515,142</u>
Cash flows from financing activities:	
Sale of additional common stock	5,000,000
Proceeds of subordinated loan	175,000
Sub Chapter S distribution of earnings	<u>(168,734)</u>
Net cash provided by financing activities	<u>5,006,266</u>
Cash flows from investing activities:	
Purchase of marketable securities	(2,795,639)
Purchase of fixed assets	<u>(29,286)</u>
Net cash used in investing activities	<u>(2,824,925)</u>
Net increase in cash and cash equivalents	2,696,483
Cash and cash equivalents - beginning of year	<u>1,009,200</u>
Cash and cash equivalents - end of year	<u>\$ 3,705,683</u>
Supplemental disclosure of cash flow information:	
Interest paid	<u>\$ 597,692</u>
Taxes paid	<u>\$ 308,616</u>

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

CUTTONE & COMPANY, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Common Stock</u> <u>Shares</u>	<u>Amount</u>	<u>Additional</u> <u>Paid-in</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u> <u>(Deficit)</u>	<u>Total</u> <u>Stockholders'</u> <u>Equity</u>
Balance at January 1, 2002	1,000	\$ 71,429	\$ 142,857	\$ 500,733	\$ 715,019
Net profit	-	-	-	1,502,645	1,502,645
Restructuring	-	(70,429)	70,429	-	-
Sale of additional shares of capital stock	1,000	1,000	4,999,000	-	5,000,000
Distribution of Sub Chapter S earnings	-	-	-	(168,734)	(168,734)
Balance at December 31, 2002	<u>2,000</u>	<u>\$ 2,000</u>	<u>\$5,212,286</u>	<u>\$1,834,644</u>	<u>\$7,048,930</u>

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

CUTTONE & COMPANY, INC.
STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF CREDITORS
YEAR ENDED DECEMBER 31, 2002

Beginning of year:	
New York Stock Exchange memberships contributed for use by the firm subordinated to claims of general creditors	\$ 4,400,000
Less: Change in market value of contributed memberships	<u>(400,000)</u> 4,000,000
Add: Subordinated loan	<u>175,000</u>
End of Year	<u>\$ 4,175,000</u>

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

CUTTONE & COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Cuttone & Co., Inc. (the “Company”) is a member of the New York Stock Exchange. The Company executes orders on behalf of other brokerage firms and is approved to do a public customer business. Currently the Company carries no customer accounts.

Commissions

Commission revenue and related expenses are recorded on a trade date basis.

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 the reported amounts of assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amount of all assets and liabilities approximate their estimated fair values.

Income Taxes

Cuttone & Company, Inc., with the consent of its stockholders, has elected to be taxed as an S corporation as provided for by the Internal Revenue Code. Under S corporation status, the Company’s net income for federal and state purposes is taxed to its shareholders.

Furniture and Equipment

Furniture and equipment are carried at cost. Depreciation is provided using accelerated methods, based on an estimated useful life of three to five years.

CUTTONE & COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Cont'd)

New York Stock Exchange Memberships

Two memberships in the New York Stock Exchange have been contributed for the use of the Company and they are carried at current market value (last sale price prior to the date of the financial statement).

Cash and Cash Equivalents

The company generally maintains cash accounts in major banking institutions in excess of FDIC limits. Included as cash equivalents are money market funds in the amount of \$ 3,523,216, which are highly liquid investments with three months or less to maturity.

NOTE 2 – NET CAPITAL REQUIREMENT

As a member of the New York Stock Exchange, the Company is subject to the Securities and Exchanges Commission's Uniform Net Capital Rule, which requires the maintenance of minimum net capital, as defined, of the greater of \$ 5,000 or 6 & 2/3% of aggregate indebtedness, as defined. At December 31, 2002, the Company had net capital of \$ 6,462,813, which was \$ 6,257,535 in excess of its required net capital of \$ 205,278.

CUTTONE & COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2002

NOTE 3 – COMMITMENTS AND CONTINGENCIES

The Company leases its office facility under the terms of an operating lease, which was scheduled to expire January 31, 2003. A new lease has been signed which will expire seven years after occupancy, which is anticipated to be May 1, 2003. The existing lease will remain in force until then. Future minimum lease payments under this operating lease, at December 31, 2002 are estimated as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2003	\$ 146,000
2004	182,000
2005	185,000
2006	188,000
thereafter	681,000

The Company uses eight leased New York Stock Exchange seats and guarantees the lease payments on seven of those leases. The unexpired portions of those leases at December 31, 2002 require payments of \$1,286,000. The expiration dates range from February 25, 2003 to December 12, 2004.

NOTE 4 – CAPITAL STOCK

Effective October 16, 2002, a restructuring of the Company's capitalization was approved by the New York Stock Exchange. The capital stock was set at \$1.00 par value and an additional 1,000 shares were authorized and issued for \$5,000,000.

NOTE 5 – SUBORDINATED BORROWINGS

On July 3, 2002, an employee of the Company entered into a cash subordinated loan agreement in the amount of \$175, 000 with a scheduled maturity date of July 31 2003.

CUTTONE & COMPANY, INC.
SUPPLEMENTARY INFORMATION

COMPUTATION OF NET CAPITAL PURSUANT TO
UNIFORM NET CAPITAL RULE 15c3-1

DECEMBER 31, 2002

Credits:	
Stockholders' equity	\$ 7,048,930
Subordinated loan	<u>175,000</u>
	7,223,930
Debits:	
Nonallowable assets	<u>690,653</u>
Net Capital before haircuts	6,533,277
Haircuts	<u>70,464</u>
Net capital	6,462,813
Minimum net capital requirement - the greater of 6⅔% of aggregate indebtedness of \$ 3,079,161 or \$5,000	<u>205,278</u>
Excess net capital	<u>\$ 6,257,535</u>
Ratio of aggregate indebtedness to net capital	<u>.48 to 1</u>
Schedule of aggregate indebtedness:	
Accrued expenses and other liabilities	\$ 1,793,161
Balance of guaranteed obligations on New York Stock Exchange membership leases	<u>1,286,000</u>
	<u>\$ 3,079,161</u>

Net capital per the above computation agrees with the net capital reflected in the Company's corresponding unaudited Part IIA FOCUS filing.

CUTTONE & COMPANY, INC.
SUPPLEMENTARY INFORMATION

COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS AND INFORMATION RELATING TO POSSESSION
OR CONTROL REQUIREMENTS FOR BROKERS AND DEALERS
PURSUANT TO RULE 15c3-3

DECEMBER 31, 2002

The Partnership does not effect transactions for any customers as defined under Rule 15c3-3. Accordingly, there are no items to report under the requirements of this Rule.