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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- 47280        |

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 1/01/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Talented Tenth Investments Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
676 Riverside Drive Suite 10A

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

(No. and Street)

New York,  
(City)

New York  
(State)

10031  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Carlton Banks (212) 281-1833  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

JOHN W. GREEN CPA PC

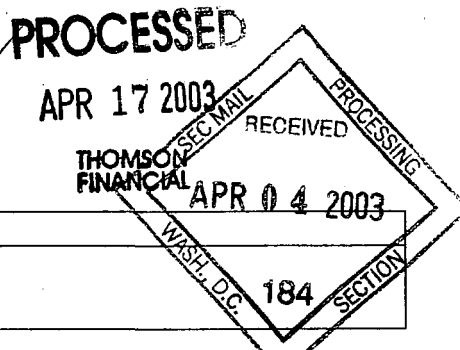
(Name - if individual, state last, first, middle name)

58 Tusarora Drive, Centerport, New York, 11721  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

**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)

SEC 1410 (06-02)

Potential 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.

## OATH OR AFFIRMATION

I, Carlton Banks, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Talented Tenth Investments 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:

N/A

Carlton Banks

Signature

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 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.

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

Sworn before me this:

26 Day of March, 2003

Velma Small  
Notary

VELMA SMALLS

Notary Public, State of New York

No. 01SM5017777

Qualified in New York County

Commission Expires Sept. 13, 2005

**TALENTED TENTH INVESTMENTS, INC.**

**REPORTED PURSUANT TO  
RULE 17A-5(a)**

**DECEMBER 31, 2002 and 2001**

**John W. Green, CPA PC**  
**58 Tuscarora Drive**  
**Centerport, NY 11721**  
**516-390-1025**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
TALENTED TENTH INVESTMENTS, INC.  
P.O. Box 606  
Hamilton Grange Station  
New York, New York 10031

We have audited the accompanying statement of financial condition for noncarrying, nonclearing and certain other brokers or dealers of TALENTED TENTH INVESTMENTS, INC., as of December 31, 2002 & 2001, and the related statements of operations, and changes in stockholders' equity for the year then ended. 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 the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

The accompanying financial statements were prepared for the purpose of complying with the annual reporting requirements of the National Associates of Securities Dealers, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TALENTED TENTH INVESTMENTS, INC. as of December 31, 2002 & 2001, and the results of operations and cash flows for the year ended in conformity with the basis of accounting described in Note 1.

**TALANTED TENTH INVESTMENT, INC.**  
**Independent Auditors Report**  
**Page 2**

The accompanying financial statements have been prepared under the assumption that the Company will continue as a going concern. As discussed in Note 4 to the financial statements, the Company has not generated operating revenue for several years resulting in losses from operations. These circumstances combined with uncertain economic conditions, create uncertainty as to the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was conducted for the purpose of forming an opinion on the basis financial statements taken as a whole. The information contained on the 8 and 9 is presented for the purpose of additional analysis only, and is not required as part of the basic financial statements. However, this information is required by rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subject 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, and in conformity with the rules of the Securities and Exchange Commission.

*John W. Green, CPA PC*

March 27, 2003  
Centerport, New York

**TALENTED TENTH INVESTMENT, INC.**

**Statement of Financial Condition**

**As of December 31, 2002 and 2001**

|                                                                                       | <u>December 31</u> |                 |
|---------------------------------------------------------------------------------------|--------------------|-----------------|
|                                                                                       | <u>2,002</u>       | <u>2001</u>     |
| <b><u>ASSETS</u></b>                                                                  |                    |                 |
| Cash                                                                                  | \$ 28,868          | \$ 4,072        |
| Investment in private placement securities                                            | 3,000              | 3,300           |
| Total Assets                                                                          | <u>\$ 31,868</u>   | <u>\$ 7,372</u> |
| <br><b><u>LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)</u></b>                      |                    |                 |
| <b>LIABILITIES:</b>                                                                   |                    |                 |
| Accrued expenses                                                                      | \$ 3,000           | \$ 2,400        |
| Taxes payable                                                                         | 400                | 400             |
| Loan from stockholder - subordinated                                                  | 12,000             | 12,000          |
| Total Liabilities                                                                     | <u>15,400</u>      | <u>14,800</u>   |
| <br><b>STOCKHOLDER'S EQUITY (DEFICIT):</b>                                            |                    |                 |
| Common Stock; no par value 100 shares<br>authorized, 10 shares issued and outstanding | 1,000              | 1,000           |
| Additional paid in capital                                                            | 75,934             | 44,229          |
| Accumulated deficit                                                                   | (60,165)           | (52,657)        |
| Total Stockholder's Equity (Deficit)                                                  | <u>16,769</u>      | <u>(7,428)</u>  |
| Total Liabilities and Stockholders Equity (Deficit)                                   | <u>\$ 32,169</u>   | <u>\$ 7,372</u> |

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

**TALENTED TENTH INVESTMENT, INC.**

**Statement of Operations**

**For the Years Ended December 31, 2002 and 2001**

|                                          | <b>December 31</b> |                   |
|------------------------------------------|--------------------|-------------------|
|                                          | <b>2002</b>        | <b>2001</b>       |
| Fee Income                               | \$ 0               | \$ 0              |
| Expenses:                                |                    |                   |
| Professional Fees                        | 3000               | 2,400             |
| Licensing, registration, and filing fees | 2869               | 1,278             |
| Insurance                                | 369                | 362               |
| State and local taxes                    | 400                | 400               |
| Bank service charges                     | 246                | 50                |
| Miscellaneous expenses                   | 624                | 500               |
| Total Expenses                           | <u>7,508</u>       | <u>4,989</u>      |
| Net Loss                                 | \$ <u>(7,508)</u>  | \$ <u>(4,989)</u> |

**TALENTED TENTH INVESTMENT, INC.**

**Statement of Changes in Stockholder's Equity**

**For the Years Ended December 31, 2002 and 2001**

|                                     | Total            | Common<br>Stock | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit |
|-------------------------------------|------------------|-----------------|----------------------------------|------------------------|
| Beginning balance - January 1, 2001 | \$5,318          | \$1,000         | \$51,986                         | (\$47,668)             |
| Capital contributions for 2001      | (7,757)          |                 | (7,757)                          |                        |
| Net loss for 2001                   | (4,989)          |                 |                                  | (4,989)                |
| Ending balance - December 31, 2001  | <u>(7,428)</u>   | <u>1,000</u>    | <u>44,229</u>                    | <u>(52,657)</u>        |
| Capital contributions for 2002      | 31,705           |                 | 31,705                           |                        |
| Net loss for 2002                   | (7,508)          |                 |                                  | (7,508)                |
|                                     | <u>\$ 16,769</u> | <u>\$ 1,000</u> | <u>\$ 75,934</u>                 | <u>\$ (60,165)</u>     |



**TALENTED TENTH INVESTMENT, INC.**

**Statement of Cash Flows**

**For the Years Ended December 31, 2002 and 2001**

|                                                                               | <u>2002</u>      | <u>2001</u>     |
|-------------------------------------------------------------------------------|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:                                         |                  |                 |
| Net Loss                                                                      | \$ (7,508)       | \$ (4,989)      |
| Adjustment to reconcile net loss to net cash<br>used in operating activities: |                  |                 |
| Changes in assets and liabilities                                             |                  |                 |
| Increase (Decrease) in accounts payable                                       | 596              | 0               |
| Net Cash From Operating Activities                                            | <u>(6,912)</u>   | <u>(4,989)</u>  |
| CASH FLOWS FROM FINANCING ACTIVITIES                                          |                  |                 |
| Capital contributions                                                         | 31,705           | (7,757)         |
| Net Cash from Financing Activities                                            | <u>31,705</u>    | <u>(7,757)</u>  |
| NET INCREASE (DECREASE) IN CASH                                               | 24,793           | (12,746)        |
| CASH BALANCE, BEGINNING OF YEAR                                               | 4,075            | 16,818          |
| CASH BALANCE, END OF YEAR                                                     | <u>\$ 28,868</u> | <u>\$ 4,072</u> |
| <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>                      |                  |                 |
| Federal taxes paid                                                            | \$ <u>0</u>      | \$ <u>0</u>     |
| Interest paid                                                                 | \$ <u>0</u>      | \$ <u>0</u>     |

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

## **TALENTED TENTH INVESTMENTS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2002 AND 2001**

#### **Note 1 - Organization and Nature of Operations**

Talented Tenth, Inc. ("the Company"), was organized on July 20, 1993 in the state of New York and received its broker-dealer registration from the Securities and Exchange Commission (the "SEC") on May 11, 1994. Talented Tenth became a member of the National Association of Securities Dealers, Inc. (the "NASD") on March 3, 1994. The Company's business activities are primarily related to the sale of tax sheltered investments and limited partnership interests.

The Company is a nonclearing broker based in New York City and does not carry customer accounts and does not otherwise hold funds or securities, or owe money or securities to customers. As such, the Company is exempt from SEC rule 15c3-3.

#### **Note 2 - Summary of Significant Accounting Policies**

##### Basis of Presentation

The accompanying financial statements of The Company were prepared in accordance with the accounting requirements of the National Association of Securities Dealers ("NASD"), which differ somewhat from generally accepted accounting principles used by most business entities.

The NASD accounting requirements are designed to measure the net capital of the member entity. Accordingly, certain assets and liabilities are deemed "non-allowable" and are excluded from the required net capital computation.

##### Use of Estimates

The preparation of financial statements require management to make estimates and assumptions that effect certain reported amounts and disclosures and actual results could differ from those estimated.

##### Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements on a current basis only because the Company has no permanent or temporary Differences between book and taxable income which would generate deferred taxes. The Company has no taxable income in 2001 or 2000; therefore there is no provision for federal taxes.

**TALENTED TENTH INVESTMENTS, INC.**

**NOTES TO THE FINANCIAL STATEMENT**

**December 31, 2002 and 2001**

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the company considers all short-term debt securities and all other investments with maturities of three months or less to be cash equivalents.

Investment in Private Placement Securities

In April of 2000, the Company purchased 300 shares of The NASDAQ Stock Market, Inc. at \$11 per share in a private placement offering. The investment has been recorded at cost. The book value of the securities as of December 31, 2002 is approximately \$13 per share as computed by The NASDAQ Stock Market, Inc. Under the terms of the offering, certain restrictions were placed on the sale or transfer of the stock. As of the date of these financial statements, the stock has no market and is carried as a non-allowable asset and is carried as a non-allowable asset.

**Note 3 - Transactions with Related Parties**

Administrative Services Agreement

Talented Tenth Investment, Inc. utilizes office space and receives administrative services from the sole stockholder. There is no written agreement between the parties and the Company was not charged for these services for the years ended December 31, 2002 and 2001.

Loan Payable to Stockholder – Subordinated

The Company borrowed \$12,000 from its sole stockholder on December 15, 1998 under the subordination agreement approved by the National Association of Securities Dealers, Inc. The note is a non-interest bearing note that matures on August 14, 2002. Payments of principal on the note are prohibited unless prior authorization is received from the NASD. The note is available in computation of the net capital under the SEC'S uniform net capital rule. The accompanying financial statements contain no provision for interest expense on this loan.

**TALENTED TENTH INVESTMENTS, INC.**

**NOTES TO THE FINANCIAL STATEMENT**

**December 31, 2002 and 2001**

**Note 4 – Going Concern**

The Company has not earned any revenue from operations in the past several years and is dependent upon loans and capital contributions from the sole stockholder to meet operating expenses. These factors as well as the uncertain economic conditions facing the brokerage industry create uncertainty as to the Company's ability to continue as a going concern. Management is developing a plan, which, if successful, will bring operating revenue to the Company. The ability of the Company to continue is dependent upon the success of this plan. These financial statements do not include any adjustments that might be required should the Company be unable to continue as a going concern.

**Note 5 – Violation of Minimum Capital Requirements**

As of December 31, 2001, The Company's net capital was below the minimum required by the SEC uniform net capital rule 15c3-1.

**TALENTED TENTH INVESTMENT, INC.**

**Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1**

**As of December 31, 2002 and 2001**

**COMPUTATION OF NET CAPITAL**

|                                                                                                      | <b>2001</b>      |                 |
|------------------------------------------------------------------------------------------------------|------------------|-----------------|
| <b>NET CAPITAL</b>                                                                                   |                  |                 |
| STOCKHOLDER'S EQUITY (DEFICIT)                                                                       | \$ 16,769        | \$ (4,628)      |
| Less: assets non-allowable in computation of net capital                                             |                  | 0               |
| Add: liabilities subordinated to claims of general creditors allowable in computation of net capital | 12,000           | <u>12,000</u>   |
| TOTAL CAPITAL AND ALLOWABLE SUBORDINATED LIABILITIES                                                 | 28,769           | 7,372           |
| LESS: HAIRCUTS ON SECURITY POSITIONS                                                                 | 0                | 0               |
| LESS: NONALLOWABLE ASSETS                                                                            | <u>(3,300)</u>   | <u>(3,300)</u>  |
| NET CAPITAL                                                                                          | <u>\$ 25,469</u> | <u>\$ 4,072</u> |

**COMPUTATION OF MINIMUM NET CAPITAL**

|                                                                                    |                  |                 |
|------------------------------------------------------------------------------------|------------------|-----------------|
| Minimum Net Capital, greater of one-fifteenth of aggregate indebtedness or \$5,000 | \$ <u>5,000</u>  | \$ <u>5,000</u> |
| NET CAPITAL SURPLUS (DEFICIENCY)                                                   | \$ <u>20,469</u> | \$ <u>(928)</u> |
| AGGREGATE INDEBTEDNESS                                                             |                  |                 |
| Accrued expenses                                                                   | \$ 3,000         | \$ 2,400        |
| Taxes payable                                                                      | 400              | 400             |
|                                                                                    | <u>\$ 3,400</u>  | <u>\$ 2,800</u> |
| RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL                                     | <u>.17 to 1</u>  | <u>.68 to 1</u> |

**John W. Green, CPA PC**  
**58 Tuscarora Drive**  
**Centerport, NY 11721**  
**516-390-1025**

To the Board of Directors  
Talented Tenth Investment, Inc.

In planning and performing our audit of the financial statements of Talented Tenth Investment, Inc. for the year ended December 31, 2002 we considered the Company's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements (statutory basis) and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in the internal controls 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 one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements (statutory basis) being audited may occur and not be detected within a timely period by employees in their normal course of performing their assigned tasks. However, we noted no matters that we consider to be material weaknesses as defined above.

This letter is intended solely for the information and use of the Board of Directors and Management of Talented Tenth Investment, Inc. and the National Association of Securities Dealers. It is not intended, and should not be used, by anyone other than those specified parties.

March 27, 2003  
Centerport, NY

**TALENTED TENTH INVESTMENTS, INC.**

**REPORTED PURSUANT TO  
RULE 17A-5(a)**

**DECEMBER 31, 2002 and 2001**

**John W. Green, CPA PC**  
**58 Tuscarora Drive**  
**Centerport, NY 11721**  
**516-390-1025**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
TALENTED TENTH INVESTMENTS, INC.  
P.O. Box 606  
Hamilton Grange Station  
New York, New York 10031

We have audited the accompanying statement of financial condition for noncarrying, nonclearing and certain other brokers or dealers of TALENTED TENTH INVESTMENTS, INC., as of December 31, 2002 & 2001, and the related statements of operations, and changes in stockholders' equity for the year then ended. 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 the generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

The accompanying financial statements were prepared for the purpose of complying with the annual reporting requirements of the National Associates of Securities Dealers, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TALENTED TENTH INVESTMENTS, INC. as of December 31, 2002 & 2001, and the results of operations and cash flows for the year ended in conformity with the basis of accounting described in Note 1.



**TALANTED TENTH INVESTMENT, INC.**  
**Independent Auditors Report**  
**Page 2**

The accompanying financial statements have been prepared under the assumption that the Company will continue as a going concern. As discussed in Note 4 to the financial statements, the Company has not generated operating revenue for several years resulting in losses from operations. These circumstances combined with uncertain economic conditions, create uncertainty as to the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was conducted for the purpose of forming an opinion on the basis financial statements taken as a whole. The information contained on the 8 and 9 is presented for the purpose of additional analysis only, and is not required as part of the basic financial statements. However, this information is required by rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subject 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, and in conformity with the rules of the Securities and Exchange Commission.

*John W. Green, CPA PC*

March 27, 2003  
Centerport, New York

**TALENTED TENTH INVESTMENT, INC.**

**Statement of Financial Condition**

**As of December 31, 2002 and 2001**

|                                                                                       | <u>December 31</u> |                 |
|---------------------------------------------------------------------------------------|--------------------|-----------------|
|                                                                                       | <u>2,002</u>       | <u>2001</u>     |
| <b><u>ASSETS</u></b>                                                                  |                    |                 |
| Cash                                                                                  | \$ 28,868          | \$ 4,072        |
| Investment in private placement securities                                            | 3,000              | 3,300           |
| Total Assets                                                                          | <u>\$ 31,868</u>   | <u>\$ 7,372</u> |
| <b><u>LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)</u></b>                          |                    |                 |
| <b>LIABILITIES:</b>                                                                   |                    |                 |
| Accrued expenses                                                                      | \$ 3,000           | \$ 2,400        |
| Taxes payable                                                                         | 400                | 400             |
| Loan from stockholder - subordinated                                                  | 12,000             | 12,000          |
| Total Liabilities                                                                     | <u>15,400</u>      | <u>14,800</u>   |
| <b>STOCKHOLDER'S EQUITY (DEFICIT):</b>                                                |                    |                 |
| Common Stock; no par value 100 shares<br>authorized, 10 shares issued and outstanding | 1,000              | 1,000           |
| Additional paid in capital                                                            | 75,934             | 44,229          |
| Accumulated deficit                                                                   | (60,165)           | (52,657)        |
| Total Stockholder's Equity (Deficit)                                                  | <u>16,769</u>      | <u>(7,428)</u>  |
| Total Liabilities and Stockholders Equity (Deficit)                                   | <u>\$ 32,169</u>   | <u>\$ 7,372</u> |

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

**TALENTED TENTH INVESTMENT, INC.**

**Statement of Operations**

**For the Years Ended December 31, 2002 and 2001**

|                                          | <b>December 31</b> |                   |
|------------------------------------------|--------------------|-------------------|
|                                          | <b>2002</b>        | <b>2001</b>       |
| Fee Income                               | \$ 0               | \$ 0              |
| Expenses:                                |                    |                   |
| Professional Fees                        | 3000               | 2,400             |
| Licensing, registration, and filing fees | 2869               | 1,278             |
| Insurance                                | 369                | 362               |
| State and local taxes                    | 400                | 400               |
| Bank service charges                     | 246                | 50                |
| Miscellaneous expenses                   | 624                | 500               |
| Total Expenses                           | <u>7,508</u>       | <u>4,989</u>      |
| Net Loss                                 | \$ <u>(7,508)</u>  | \$ <u>(4,989)</u> |

**TALENTED TENTH INVESTMENT, INC.**

**Statement of Changes in Stockholder's Equity**

**For the Years Ended December 31, 2002 and 2001**

|                                     | Total            | Common<br>Stock | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit |
|-------------------------------------|------------------|-----------------|----------------------------------|------------------------|
| Beginning balance - January 1, 2001 | \$5,318          | \$1,000         | \$51,986                         | (\$47,668)             |
| Capital contributions for 2001      | (7,757)          |                 | (7,757)                          |                        |
| Net loss for 2001                   | (4,989)          |                 |                                  | (4,989)                |
| Ending balance - December 31, 2001  | <u>(7,428)</u>   | <u>1,000</u>    | <u>44,229</u>                    | <u>(52,657)</u>        |
| Capital contributions for 2002      | 31,705           |                 | 31,705                           |                        |
| Net loss for 2002                   | (7,508)          |                 |                                  | (7,508)                |
|                                     | <u>\$ 16,769</u> | <u>\$ 1,000</u> | <u>\$ 75,934</u>                 | <u>\$ (60,165)</u>     |

**TALENTED TENTH INVESTMENT, INC.**

**Statement of Cash Flows**

**For the Years Ended December 31, 2002 and 2001**

|                                                                               | <u><b>2002</b></u>      | <u><b>2001</b></u>     |
|-------------------------------------------------------------------------------|-------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                  |                         |                        |
| Net Loss                                                                      | \$ (7,508)              | \$ (4,989)             |
| Adjustment to reconcile net loss to net cash<br>used in operating activities: |                         |                        |
| Changes in assets and liabilities                                             |                         |                        |
| Increase (Decrease) in accounts payable                                       | 596                     | 0                      |
| Net Cash From Operating Activities                                            | <u>(6,912)</u>          | <u>(4,989)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |                         |                        |
| Capital contributions                                                         | <u>31,705</u>           | <u>(7,757)</u>         |
| Net Cash from Financing Activities                                            | <u>31,705</u>           | <u>(7,757)</u>         |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                        | <b>24,793</b>           | <b>(12,746)</b>        |
| <b>CASH BALANCE, BEGINNING OF YEAR</b>                                        | <b>4,075</b>            | <b>16,818</b>          |
| <b>CASH BALANCE, END OF YEAR</b>                                              | <b>\$ <u>28,868</u></b> | <b>\$ <u>4,072</u></b> |
| <u><b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b></u>               |                         |                        |
| Federal taxes paid                                                            | \$ <u>0</u>             | \$ <u>0</u>            |
| Interest paid                                                                 | \$ <u>0</u>             | \$ <u>0</u>            |

## **TALENTED TENTH INVESTMENTS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2002 AND 2001**

#### **Note 1 - Organization and Nature of Operations**

Talented Tenth, Inc. ("the Company"), was organized on July 20, 1993 in the state of New York and received its broker-dealer registration from the Securities and Exchange Commission (the "SEC") on May 11, 1994. Talented Tenth became a member of the National Association of Securities Dealers, Inc. (the "NASD") on March 3, 1994. The Company's business activities are primarily related to the sale of tax sheltered investments and limited partnership interests.

The Company is a nonclearing broker based in New York City and does not carry customer accounts and does not otherwise hold funds or securities, or owe money or securities to customers. As such, the Company is exempt from SEC rule 15c3-3.

#### **Note 2 - Summary of Significant Accounting Policies**

##### Basis of Presentation

The accompanying financial statements of The Company were prepared in accordance with the accounting requirements of the National Association of Securities Dealers ("NASA"), which differ somewhat from generally accepted accounting principles used by most business entities.

The NASD accounting requirements are designed to measure the net capital of the member entity. According, certain assets and liabilities are deemed "non-allowable" and are excluded from the required net capital computation.

##### Use of Estimates

The preparation of financial statements require management to make estimates and assumptions that effect certain reported amounts and disclosures and actual results could differ from those estimated.

##### Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements on a current basis only because the Company has no permanent or temporary Differences between book and taxable income which would generate deferred taxes. The Company has no taxable income in 2001 or 2000; therefore there is no provision for federal taxes.

## **TALENTED TENTH INVESTMENTS, INC.**

### **NOTES TO THE FINANCIAL STATEMENT**

**December 31, 2002 and 2001**

#### Cash and Cash Equivalents

For the purposes of the statement of cash flows, the company considers all short-term debt securities and all other investments with maturities of three months or less to be cash equivalents.

#### Investment in Private Placement Securities

In April of 2000, the Company purchased 300 shares of The NASDAQ Stock Market, Inc. at \$11 per share in a private placement offering. The investment has been recorded at cost. The book value of the securities as of December 31, 2002 is approximately \$13 per share as computed by The NASDAQ Stock Market, Inc. Under the terms of the offering, certain restrictions were placed on the sale or transfer of the stock. As of the date of these financial statements, the stock has no market and is carried as a non-allowable asset and is carried as a non-allowable asset.

#### **Note 3 - Transactions with Related Parties**

##### Administrative Services Agreement

Talented Tenth Investment, Inc. utilizes office space and receives administrative services from the sole stockholder. There is no written agreement between the parties and the Company was not charged for these services for the years ended December 31, 2002 and 2001.

##### Loan Payable to Stockholder – Subordinated

The Company borrowed \$12,000 from its sole stockholder on December 15, 1998 under the subordination agreement approved by the National Association of Securities Dealers, Inc. The note is a non-interest bearing note that matures on August 14, 2002. Payments of principal on the note are prohibited unless prior authorization is received from the NASD. The note is available in computation of the net capital under the SEC'S uniform net capital rule. The accompanying financial statements contain no provision for interest expense on this loan.

**TALENTED TENTH INVESTMENTS, INC.**

**NOTES TO THE FINANCIAL STATEMENT**

**December 31, 2002 and 2001**

**Note 4 – Going Concern**

The Company has not earned any revenue from operations in the past several years and is dependent upon loans and capital contributions from the sole stockholder to meet operating expenses. These factors as well as the uncertain economic conditions facing the brokerage industry create uncertainty as to the Company's ability to continue as a going concern. Management is developing a plan, which, if successful, will bring operating revenue to the Company. The ability of the Company to continue is dependent upon the success of this plan. These financial statements do not include any adjustments that might be required should the Company be unable to continue as a going concern.

**Note 5 – Violation of Minimum Capital Requirements**

As of December 31, 2001, The Company's net capital was below the minimum required by the SEC uniform net capital rule 15c3-1.



**TALENTED TENTH INVESTMENT, INC.**

**Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1**

**As of December 31, 2002 and 2001**

**COMPUTATION OF NET CAPITAL**

|                                                                                                      | <b>2001</b>      |                 |
|------------------------------------------------------------------------------------------------------|------------------|-----------------|
| <b>NET CAPITAL</b>                                                                                   |                  |                 |
| STOCKHOLDER'S EQUITY (DEFICIT)                                                                       | \$ 16,769        | \$ (4,628)      |
| Less: assets non-allowable in computation of net capital                                             |                  | 0               |
| Add: liabilities subordinated to claims of general creditors allowable in computation of net capital | 12,000           | <u>12,000</u>   |
| TOTAL CAPITAL AND ALLOWABLE SUBORDINATED LIABILITIES                                                 | 28,769           | 7,372           |
| LESS: HAIRCUTS ON SECURITY POSITIONS                                                                 | 0                | 0               |
| LESS: NONALLOWABLE ASSETS                                                                            | <u>(3,300)</u>   | <u>(3,300)</u>  |
| NET CAPITAL                                                                                          | \$ <u>25,469</u> | \$ <u>4,072</u> |

**COMPUTATION OF MINIMUM NET CAPITAL**

|                                                                                    |                  |                 |
|------------------------------------------------------------------------------------|------------------|-----------------|
| Minimum Net Capital, greater of one-fifteenth of aggregate indebtedness or \$5,000 | \$ <u>5,000</u>  | \$ <u>5,000</u> |
| NET CAPITAL SURPLUS (DEFICIENCY)                                                   | \$ <u>20,469</u> | \$ <u>(928)</u> |
| AGGREGATE INDEBTEDNESS                                                             |                  |                 |
| Accrued expenses                                                                   | \$ 3,000         | \$ 2,400        |
| Taxes payable                                                                      | 400              | 400             |
|                                                                                    | \$ <u>3,400</u>  | \$ <u>2,800</u> |
| RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL                                     | <u>.17 to 1</u>  | <u>.68 to 1</u> |

**John W. Green, CPA PC**  
**58 Tuscarora Drive**  
**Centerport, NY 11721**  
**516-390-1025**

To the Board of Directors  
Talented Tenth Investment, Inc.

In planning and performing our audit of the financial statements of Talented Tenth Investment, Inc. for the year ended December 31, 2002 we considered the Company's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements (statutory basis) and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in the internal controls 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 one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements (statutory basis) being audited may occur and not be detected within a timely period by employees in their normal course of performing their assigned tasks. However, we noted no matters that we consider to be material weaknesses as defined above.

This letter is intended solely for the information and use of the Board of Directors and Management of Talented Tenth Investment, Inc. and the National Association of Securities Dealers. It is not intended, and should not be used, by anyone other than those specified parties.

March 27, 2003  
Centerport, NY