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9-16-2003



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

RECEIVED  
SEP - 9 2003  
WASH. D.C. 20549  
SECTION 17

SEC FILE NUMBER  
8- 37061

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 July 1, 2002 AND ENDING June 30, 2003  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
Fox & Company Investments, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
6232 North 32nd Street

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)

Phoenix, Arizona 85018

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
James W. Moldermaker (602) 971-9000 x301  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Semple & Cooper, LLP

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

2700 North Central Avenue, Ninth Floor Phoenix Arizona 85004  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED  
SEP 17 2003  
THOMSON FINANCIAL

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

09-16-03

OATH OR AFFIRMATION

I, James W. Moldermaker, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Fox & Company Investments, Inc., as of June 30, 20 03, 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:

[Handwritten Signature]
Signature
President
Title



JERA BLEDSOE
Notary Public - Arizona
Maricopa County
Expires 06/30/06

[Handwritten Signature]
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).

**FOX & COMPANY INVESTMENTS, INC.**

**FINANCIAL STATEMENTS**

**For The Year Ended  
June 30, 2003**

**INDEPENDENT AUDITORS' REPORT**

To The Board of Directors of  
Fox & Company Investments, Inc.

We have audited the accompanying statement of financial condition of Fox & Company Investments, Inc. as of June 30, 2003 and the related statements of operations, changes in stockholder's equity, and cash flows 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 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 Fox & Company Investments, Inc. as of June 30, 2003, and results of its operations, changes in stockholder's equity, and 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 in Schedules I and II 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 of 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.

*Simple & Cooper, LLP*  
Certified Public Accountants

Phoenix, Arizona  
August 27, 2003

**FOX & COMPANY INVESTMENTS, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**JUNE 30, 2003**

**ASSETS**

|  |                                   |
|--|-----------------------------------|
| Cash and cash equivalents                                | \$ 858,673                        |
| Cash on deposit with clearing organization - restricted  | 516,249                           |
| Commissions receivable:                                  |                                   |
| - mutual funds   | 43,387                            |
| - clearing organizations                                 | 179,829                           |
| Securities owned:  |                                   |
| - marketable, at market value                            | 414,003                           |
| - not readily marketable, at cost                        | 20,100                            |
| Other receivables  | 152,500                           |
| Prepaid expenses   | 1,600                             |
| Furniture and equipment, net of accumulated depreciation | <u>32,920</u>                     |
| <b>Total Assets</b>                                      | <b><u><u>\$ 2,219,261</u></u></b> |

**LIABILITIES AND STOCKHOLDER'S EQUITY**

|   |                                   |
|---|-----------------------------------|
| Payable to clearing organizations   | \$ 694,843                        |
| Accounts payable  | 9,774                             |
| Commissions payable   | 291,341                           |
| Accrued expenses  | 18,350                            |
| Subordinated note payable - related party   | <u>300,000</u>                    |
| <b>Total Liabilities</b>  | <b><u>1,314,308</u></b>           |
| Commitments and Contingencies:  | -                                 |
| Common stock - \$.01 par value - authorized<br>1,000,000 shares - issued 500,000 shares | 5,000                             |
| Additional paid-in capital  | 329,745                           |
| Retained earnings   | <u>570,208</u>                    |
|   | <u>904,953</u>                    |
| <b>Total Liabilities and Stockholder's Equity</b>                                       | <b><u><u>\$ 2,219,261</u></u></b> |

The Accompanying Notes are an Integral Part  
of the Financial Statements

**FOX & COMPANY INVESTMENTS  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2003**

**Revenues:**

|                                  |                  |
|----------------------------------|------------------|
| Commissions                      | \$ 4,099,415     |
| Interest                         | 7,286            |
| Trading profits                  | 253,396          |
| Miscellaneous income             | 19,024           |
| Arbitration settlement reduction | <u>204,693</u>   |
|                                  | <u>4,583,814</u> |

**Expenses:**

|                                    |                  |
|------------------------------------|------------------|
| Commissions and brokerage charges  | 2,811,335        |
| Occupancy and equipment costs      | 289,622          |
| Clearing fees                      | 264,774          |
| Employee compensation and benefits | 318,765          |
| Arbitration settlement fees        | 17,500           |
| Insurance                          | 158,339          |
| Dues and subscriptions             | 67,992           |
| Communications                     | 59,000           |
| Regulatory fees and expenses       | 65,845           |
| Legal and professional             | 63,966           |
| Depreciation                       | 23,052           |
| Advertising                        | 906              |
| Contract services                  | 107,973          |
| Other operating expenses           | <u>186,405</u>   |
|                                    | <u>4,435,474</u> |

**Net Income**

\$ 148,340

The Accompanying Notes are an Integral Part  
of the Financial Statements

**FOX & COMPANY INVESTMENTS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2003**

|   | Common Stock |          | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Total        |
|---|--------------|----------|----------------------------------|----------------------|--------------|
|   | Shares       | Amount   |                                  |                      |              |
| Balance at June 30, 2002                                | 500,000      | \$ 5,000 | \$ 629,745                       | \$ 421,868           | \$ 1,056,613 |
| Conversion of capital to a<br>subordinated note payable | -            | -        | (300,000)                        | -                    | (300,000)    |
| Net income for the year<br>ended June 30 , 2003         | -            | -        | -                                | 148,340              | 148,340      |
| Balance at June 30, 2003                                | 500,000      | \$ 5,000 | \$ 329,745                       | \$ 570,208           | \$ 904,953   |

The Accompanying Notes are an Integral Part  
of the Financial Statements

**FOX & COMPANY INVESTMENTS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**Increase (Decrease) in Cash and Cash Equivalents:**

**Cash flows from operating activities:**

|   |                  |
|---|------------------|
| Net Income  | \$ 148,340       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |
| Arbitration settlement  | (204,693)        |
| Depreciation  | 23,052           |
| Changes in Assets and Liabilities:  |                  |
| Deposits with clearing organizations  | (15,860)         |
| Receivable from clearing organization   | (125,752)        |
| Receivable from mutual funds  | 76,161           |
| Receivable from insurance company   | 650,000          |
| Prepaid expenses  | 160,150          |
| Miscellaneous receivables   | (66,586)         |
| Securities owned, marketable  | (85,395)         |
| Contingent arbitration  | (812,353)        |
| Payable to clearing organization  | 16,229           |
| Commissions payable   | 193,312          |
| Accounts payable  | (123,009)        |
| Accrued expenses  | (13,271)         |
| <b>Net cash used by operating activities</b>                                      | <b>(179,675)</b> |
| Net decrease in cash and cash equivalents   | (179,675)        |
| Cash and cash equivalents at beginning of year                                    | 1,038,348        |
| Cash and cash equivalents at end of year  | \$ 858,673       |

**Supplemental disclosure of cash flow information:**

|               |          |
|---------------|----------|
| Interest paid | \$ 1,438 |
| Taxes paid    | \$ -     |

**Non-cash activity:**

|  |            |
|--|------------|
| Conversion of capital to a subordinated note payable | \$ 300,000 |
|--|------------|

The Accompanying Notes are an Integral Part  
of the Financial Statements



**FOX & COMPANY INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1**

**Summary of Significant Accounting Policies, Use of Estimates and Nature of Operations**

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**Operations**

Fox & Company Investments, Inc. (the Company) conducts business as a securities broker-dealer in Phoenix, Arizona with five branch offices in various states. The Company has an agreement with two clearing brokers to clear securities transactions, carry customer accounts on a fully disclosed basis, and perform certain record-keeping functions.

**Basis of Presentation**

These statements have been prepared in accordance with established standards for securities broker-dealers and accounting principles generally accepted in the United States.

**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.

**Securities Transactions**

Securities transactions and related commission revenues and expenses are recorded on a trade date basis.

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be all highly liquid investments purchased with an initial maturity of three (3) months or less.

**Receivables**

The Company provides for potentially uncollectible receivables by use of the allowance method. The allowance is determined based upon a review of the individual accounts outstanding, as well as prior experience. None of the receivables accrue interest on delinquencies. Management estimates that no allowance for uncollectible receivables is necessary at June 30, 2003.

**Property and Equipment**

Property and equipment are recorded at cost and depreciated over their estimated useful lives of 5 to 7 years, using accelerated methods. Maintenance and repairs that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Betterments or renewals are capitalized when incurred.

**FOX & COMPANY INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**Note 1**  
**Summary of Significant Accounting Policies, Use of Estimates and Nature of Operations**  
**(Continued)**

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**Advertising Costs**

Advertising costs are charged to operations when incurred.

**Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases, including, operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect in deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

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**Note 2**  
**Securities Owned and Investments**

---

Securities owned-marketable are carried at quoted market values. At June 30, 2003, securities owned-marketable were comprised of the following:

|                                | <u>Cost</u>       | <u>Market Value</u> |
|--------------------------------|-------------------|---------------------|
| Common Stock                   | \$ 694,209        | \$ 412,092          |
| Nonconvertible debt securities | 16,275            | 752                 |
| Exempted Securities            | 78,388            | 896                 |
| Government Obligations         | 471               | 263                 |
|                                | <u>\$ 789,343</u> | <u>\$ 414,003</u>   |

Securities owned-not readily marketable are carried at cost. Securities not readily marketable include investment securities (a) for which there is no market on a securities exchange or no independent publicly quoted market, (b) that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, or (c) that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company. The securities owned, not readily marketable consisted of NASDAQ warrants with a cost basis of \$20,100, which management believes approximates fair value.

**FOX & COMPANY INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**Note 3**

**Deposits with Clearing Organization**

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At June 30, 2003 the Company has cash deposits with a clearing organization in the amount of \$516,249. The deposits are necessary to maintain the Company's clearing account for future transactions. The Company must maintain a minimum deposit balance of \$500,000.

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**Note 4**

**Provision for Income Taxes**

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The actual income tax expense for 2003 differs from the "expected" income tax expense computed by applying the U.S. Federal corporate statutory income tax rate of 34% to the income before income taxes as follows:

|  |           |                 |
|--|-----------|-----------------|
| Computed federal income tax expense                                    | \$        | 46,000          |
| State income tax expense   |           | 9,000           |
| Entertainment, depreciation, non-deductible dues and vacation expenses |           | 12,000          |
| Valuation allowance - benefit of utilization of deferred tax assets    |           | <u>(67,000)</u> |
|  | <u>\$</u> | <u>-</u>        |

At June 30, 2003, deferred tax assets consist of the following:

|  |           |                  |
|--|-----------|------------------|
| Current portion:                               |           |                  |
| Vacation expenses and charitable contributions | \$        | 1,000            |
| Federal loss carryforwards                     |           | 116,000          |
| State loss carryforwards                       |           | <u>26,000</u>    |
|  |           | 143,000          |
| Long-term portion:                             |           |                  |
| Depreciation and amortization                  |           | <u>1,000</u>     |
|  |           | 144,000          |
| Less: valuation allowance                      |           | <u>(144,000)</u> |
| Net deferred tax asset                         | <u>\$</u> | <u>-</u>         |

The Company has established a valuation allowance equal to the net deferred tax asset primarily due to the uncertainty in the utilization of net operating loss carryforwards. During the year ended June 30, 2003, the valuation allowance was reduced by \$67,000 to reflect the utilization of deferred tax assets in the current year.

**FOX & COMPANY INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**Note 4**

**Provision for Income Taxes (Continued)**

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The Company's approximate federal and state net operating loss carryforwards at June 30, 2003 are \$365,000. The net operating loss carryforwards may be applied against future taxable income. They expire in various years as follows:

| Amount of Unused<br>Federal and State<br>Operating Loss Carryforwards | Federal Expiration<br>During Year Ended<br>June 30, | State Expiration<br>During Year Ended<br>June 30, |
|---|---|---|
| \$ 30,000   | 2021  | 2006  |
| 57,000  | 2022  | 2007  |
| 278,000   | 2023  | 2008  |
| \$ 365,000  |   |   |

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**Note 5**

**Property and Equipment**

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At June 20, 2003 property and equipment consists of the following:

|                                |           |
|--------------------------------|-----------|
| Computer equipment             | \$ 89,046 |
| Furniture and fixtures         | 40,051    |
| Office equipment               | 8,658     |
| Leasehold improvements         | 15,317    |
|                                | 153,072   |
| Less: accumulated depreciation | (120,152) |
|                                | \$ 32,920 |

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**Note 6**

**Profit Sharing Plan**

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The Company has a defined contribution plan covering substantially all of its employees. Contributions to the plan are at the discretion of the board of directors of the Company. For the year ended June 30, 2003, the board of directors elected not to make a contribution to the Plan.

**FOX & COMPANY INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**Note 7**  
**Net Capital Requirements**

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The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), requiring (1) the maintenance of a minimum amount of net capital and (2) the ratio of aggregate indebtedness to net capital, as defined, shall not exceed 15 to 1. Net capital and related net capital ratio may fluctuate on a daily basis.

At June 30, 2003, the Company had a net capital of \$926,790, which was \$676,790 in excess of the required net capital of \$250,000. The ratio of aggregate indebtedness to net capital was 1.42 to 1 as of June 30, 2003. In addition, the Company has a hearing pending with the NASD to discuss the Company's position in regards to a disputed net capital asset in the amount of \$300,000. This hearing is scheduled for November, 2003. Management believes that the actions they have taken, which are discussed in footnote 10 and involve a subsequent funding of the asset, should resolve this issue.

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**Note 8**  
**Commitments and Contingencies**

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**Operating Leases**

The Company has obligations under operating leases with initial non-cancelable terms in excess of one year. Aggregate annual rentals for automobiles and equipment at June 30, 2003 are as follows:

| <u>Year Ending</u><br><u>June 30,</u> | <u>Amount</u>    |
|---------------------------------------|------------------|
| 2004                                  | \$ 9,534         |
| 2005                                  | <u>7,429</u>     |
|                                       | <u>\$ 16,963</u> |

Total expense for these operating leases for the year ended June 30, 2003 totaled approximately \$19,100.

The Company is currently leasing corporate and satellite office facilities on a month-to-month basis for approximately \$12,500 per month.

The Company is currently leasing storage facilities and other equipment on month-to-month leases for approximately \$330 per month.

**Litigation Matters**

The Company is a defendant in a lawsuit filed by one of its customers for alleged breach of fiduciary duty, fraud, unsuitability, failure to supervise, violations of federal and state securities laws and the rules of the NASD and NYSE. The suit asks for actual and punitive damages totaling \$50,000. The Company believes the suit is without merit and intends to vigorously defend its position. No accrual has been made in the accompanying financial statements for any potential loss arising from this action.

**FOX & COMPANY INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**Note 8**  
**Commitments and Contingencies (Continued)**

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**Litigation Matters (Continued)**

The Company is a defendant in a lawsuit filed by one of its customers for alleged breach of fiduciary duty, fraud, unsuitability, failure to supervise, violations of federal and state securities laws and the rules of the NASD and NYSE. The suit asks for compensatory and punitive damages totaling \$900,000. Outside legal counsel for the Company believes that the suit will settle for approximately \$5,000.

**Pending Matters**

The Company had an examination performed by representatives of the NASD in May, 2003. The resulting Letter of Caution from the NASD noted a deficiency in that the firm did not prepare written supervisory procedures that adequately addressed certain aspects of the firm's business. Further, the Letter of Caution noted that other apparent rule violations arising from the examination remain under consideration, and the Company will be advised of the outcome at a later date.

In addition, the Company has a hearing pending with the NASD to discuss the Company's position in regards to a disputed net capital asset in the amount of \$300,000. This hearing is scheduled for November, 2003. Management believes that the actions they have taken, which are discussed in footnote 10 and involve a subsequent funding of the asset, should resolve this issue.

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**Note 9**  
**Concentrations and Credit Risks**

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The Company is engaged in various trading and brokerage activities in which counter-parties primarily include broker-dealers, banks, and other financial institutions. In the event the counter-parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

As part of its normal brokerage activities, the Company sells securities not yet purchased for its own account. The establishment of short positions exposes the Company to off-balance sheet market risk in the event prices increase, as the Company may be obligated to acquire the securities at prevailing market prices.

The Company maintains bank accounts with balances in excess of federally insured limits, which exposes the Company to risk in the event of a bank failure. The Company had deposits in excess of the federally insured limits in the approximate amount of \$685,000.

**FOX & COMPANY INVESTMENTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**Note 10**  
**Related Party Transactions**

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**Subordinated Note Payable – Related Party**

The Company has a subordinated note payable to a stockholder as follows:

Prime plus 1% subordinated note payable to the stockholder of the Company, due July, 2004; subordinated in accordance with Rule 15(c)3-1d of the Securities Exchange Act of 1934 to meet minimum net capital requirements.

\$ 300,000

The subordinated borrowings are available in computing net capital under the Securities and Exchange Commission's Uniform Net Capital Rule to the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

During the year ended June 30, 2003, the Company recorded no interest expense in relation to the aforementioned note, as the note had not funded. Management had secured an open line of credit in 2002 to meet cash funding needs up to \$300,000, deeming this to be sufficient to be included as an asset for net capital purposes. However, the Company subsequently decided to fund the cash account through a subordinated note payable. These funds were deposited into a corporate bank account after the balance sheet date, but prior to issuance, and have been given retroactive effect to June 30, 2003.

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**Note 11**  
**Arbitration Settlement**

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Former clients of the Company brought an arbitration action against the Company, its president, one of its former registered representatives and its clearing firm, in December of 1998. After an arbitration hearing in December, 2001, the panel issued an award granting a total of \$955,000 to the former clients. The award and forum fees totaling \$983,992 plus accrued interest in the amount of \$33,054 was accrued by the Company and was recorded as a liability, together with an insurance receivable asset for anticipated coverage of \$650,000 at June 30, 2002.

During the year ended June 30, 2003, the arbitration was settled for \$775,000, \$612,647 of which was paid on behalf of the Company by the Company's errors and omission insurance policy. As a result of the reduction in the settlement amount during the year, the Company recorded a reduction to the arbitration award expense of \$204,693.

**SUPPLEMENTAL INFORMATION**



## SCHEDULE I

### FOX & COMPANY INVESTMENTS, INC. COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION AS OF JUNE 30, 2003

|  |                            |
|--|----------------------------|
| <b>Net Capital:</b>  |                            |
| Total Ownership equity qualified for net capital                             | \$ 904,953                 |
| Add: Subordinated note payable - related party                               | <u>300,000</u>             |
| <b>Total Available Capital</b>   | <u>1,204,953</u>           |
| Deduct Non-Allowable Assets:   |                            |
| Prepaid expenses   | 1,600                      |
| Other receivables and assets   | 152,500                    |
| Furniture and equipment  | 32,920                     |
| Securities, not readily marketable   | <u>20,100</u>              |
| Total Deductions   | <u>207,120</u>             |
| <b>Net capital before haircut on securities</b>                              | 997,833                    |
| <b>Haircut on securities</b>   |                            |
| Stocks   | 61,808                     |
| Undue concentration  | 8,120                      |
| Non-convertible debt securities  | 752                        |
| Exempted securities  | 358                        |
| Municipal securities   | <u>5</u>                   |
| Total haircuts on security positions   | <u>71,043</u>              |
| <b>Net Capital</b>   | <u><u>\$ 926,790</u></u>   |
| <b>Aggregate Indebtedness:</b>   |                            |
| Accounts payable, accrued expenses and debt                                  | <u>\$ 1,314,308</u>        |
| Total Aggregate Indebtedness   | <u><u>\$ 1,314,308</u></u> |
| <b>Minimum Net Capital Requirement</b><br>(6 2/3% of aggregate indebtedness) | <u><u>\$ 87,664</u></u>    |
| <b>Minimum dollar net capital requirement</b>                                | <u><u>\$ 250,000</u></u>   |
| <b>Net capital requirement</b> (greater of above)                            | <u><u>\$ 250,000</u></u>   |
| <b>Amount in Excess of Minimum Net Capital</b>                               | <u><u>\$ 676,790</u></u>   |
| <b>Amount in Excess of Minimum Net Capital at 1000%</b>                      | <u><u>\$ 795,359</u></u>   |
| <b>Ratio: Aggregate Indebtedness To Net Capital</b>                          | <u><u>1.42 to 1</u></u>    |

**SCHEDULE I (Continued)**

**FOX & COMPANY INVESTMENTS, INC.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION (Continued)  
AS OF JUNE 30, 2003**

**Reconciliation of the computation of net capital with the computations included in Part II of X-17A-  
5 as of June 30, 2003**

|  |                          |
|--|--------------------------|
| <b>Net Capital Per Focus Report</b>              | \$ 910,117               |
| <b>Changes resulting from audit adjustments:</b> |                          |
| Decrease in accrued expenses                     | 55,425                   |
| Decrease in revenues                             | (36,808)                 |
| Increase in haircuts                             | <u>(1,944)</u>           |
| <b>Total audit adjustments</b>                   | <u>16,673</u>            |
| <b>Net Capital Per Audit Report</b>              | <u><u>\$ 926,790</u></u> |

**SCHEDULE II**

**FOX & COMPANY INVESTMENTS, INC.  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2003**

The Company's transactions with clients consist exclusively of acting as an introducing broker-dealer to a clearing broker-dealer on a fully disclosed basis. The Company transmits all customer funds and securities to the clearing broker-dealer who, in turn, carries all the accounts of such customers. The Company therefore meets the requirements of paragraph (k)(2)(ii) of Rule 15c3-3 and is exempt from the computation of cash reserve requirements for brokers and dealers.