

reconsideration. The Partnership has made the required disclosures for collateral as of December 31, 2000, and is determining the impact, if any, of the other requirements of SFAS No. 140 which are effective for 2001.

2. SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

Qualified securities with a market value of \$140,780 are segregated in a special reserve bank account for the benefit of customers pursuant to Rule 15c3-3 under the Act.

3. RECEIVABLE FROM AND PAYABLE TO CUSTOMER

Accounts receivable from and payable to customers include amounts due on security transactions. Securities owned by customers are held as collateral for receivables. Such collateral is not reflected in the financial statement.

4. NET CAPITAL REQUIREMENTS

The Partnership is subject to the Uniform Net Capital Rule (15c3-1) under the Act which requires the maintenance of minimum net capital. Rule 15c3-1 also limits the amount of capital withdrawals that can be made within any 30-day period without notification and/or approval of the Securities and Exchange Commission.

The Partnership has elected to use the alternative method, permitted by Rule 15c3-1, which requires the Partnership to maintain minimum net capital, as defined, equal to the greater of \$250,000 or two percent of aggregate debit balances arising from customer transactions, as defined. At December 31, 2000, the Partnership had net capital of \$4,576,841, which was 500% of aggregate debit balances and \$4,326,841 in excess of required net capital.

5. FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, Disclosures About Fair Value of Financial Instruments. The estimated fair value amounts have been determined by the Partnership using available market information and appropriate valuation methodologies. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. At December 31, 2000, the carrying amount of all financial instruments as reflected on the statement of financial condition was the same as their estimated fair value.

6. COMMITMENTS AND CONTINGENCIES

The Partnership has an open line of credit with The Bank of New York (the "Clearing Agent") which is used to finance the clearance of securities and to finance securities purchased for the Partnership's account. Borrowings under the line of credit are collateralized by such securities which are pledged to secure the line of credit. Cash advances made by the Clearing Agent in excess of cash balances maintained by the Partnership at the Clearing Agent bear interest at the Federal Funds rate plus 75 basis points and are payable on demand. Interest-bearing advances of \$8,348,526 existed at December 31, 2000.

The Partnership is subject to market and credit risk in connection with security transactions. The Partnership is therefore exposed to risk of loss on these transactions in the event of the customers' or brokers' inability to meet the terms of their contracts, in which case the Partnership may have to purchase or sell securities at prevailing market prices which may not be sufficient to liquidate the contractual obligation. The Partnership controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Partnership establishes credit limits for such activities and monitors compliance on a daily basis.

A copy of the December 31, 2000 annual financial statements filed pursuant to Rule 17a-5 of the Securities and Exchange Commission is available for examination at the principal office of the Partnership and at the Fort Worth, Texas, regional office of the Commission.

The NASD Regulation, Inc., Public Disclosure Program Hotline Number is 800-289-9999. The NASD Regulation Web Site Address is www.nasdr.com. An investor brochure that includes information describing the NASD Regulation Public Disclosure Program may be obtained from the NASD.

OFFICERS/DIRECTORS

Douglas W. McQueen
Chairman of the Board
and President

Carl H. Holliday
Vice President,
Managing Director

Robert H. Northwood, Jr.
Vice President,
Managing Director

Craig H. Stanley
Vice President,
Managing Director

Jim C. Wolfe
Vice President,
Managing Director

David A. Daugherty
Vice President,
Managing Director

J. Steven Porter
Vice President,
Managing Director

Nellie Dry
Vice President

Susan K. Evans
Vice President and
Chief Financial Officer

Rick L. Hanning
Associate Partner

Edward A. Krei
Associate Partner

L. Keith Lindell, C.F.P.
Vice President

Mike W. Mackey
Associate Partner

Lester F. Murray
Vice President

Greg Nieto
Associate Partner
Public Finance Division

Phillip C. Stenseth, C.F.A.
Associate Partner

Daniel R. Tonseth
Associate Partner

Tim Beloat
Vice President

Mike Crake
Vice President

John Goodman
Vice President

Eric Harland
Vice President

Ryan Hayhurst
Vice President

Terry McElwee
Vice President

Janice VonHolten
Vice President



2 0 0 0 STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2000

(AUDITED)



James Baker & Associates

INDUSTRY RESPONSIVE

A LIMITED PARTNERSHIP

Oklahoma City
(405) 415-7200
(800) 937-2257

Indianapolis
(317) 567-0016
(800) 406-0016

Salt Lake City
(801) 256-2155
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Austin
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James Baker & Associates

INDUSTRY RESPONSIVE

A LIMITED PARTNERSHIP

Member: National Association of Securities Dealers, Inc.
Securities Investor Protection Corporation

**NOTES TO STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2000**

**JAMES BAKER & ASSOCIATES
A LIMITED PARTNERSHIP**

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2000

ASSETS

Cash and cash equivalents	\$ 1,827,512
Securities segregated under federal and other regulations	140,780
Receivable from customers	7,740,395
Receivable from brokers and dealers	1,655,821
Securities owned, at market	4,656,534
Furniture and equipment, less accumulated depreciation of \$1,196,363	430,883
Cash surrender value of life insurance policies	538,123
Prepaid expenses and other assets	606,658
TOTAL	\$ 17,596,706

LIABILITIES AND PARTNERS' CAPITAL

Liabilities:

Payable to clearing agent	\$ 10,120,999
Payable to broker and dealers	325,067
Accrued liabilities	1,531,700
Total liabilities	11,977,766
Commitments and Contingencies	
General Partner and Limited Partners Capital	5,618,940
TOTAL	\$ 17,596,706

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of James Baker & Associates, A Limited Partnership:

We have audited the statement of financial condition of James Baker & Associates, A Limited Partnership (the "Partnership") as of December 31, 2000. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as assessing the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of the Partnership at December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Oklahoma City, Oklahoma
February 16, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization and Operations – James Baker & Associates, A Limited Partnership (the "Partnership") is registered under the Securities Exchange Act of 1934 (the "Act") as a general securities broker and dealer.

The Partnership provides broker-dealer services for its clients which consist predominately of community banks located in approximately 34 states. The Partnership engages in consulting and investment advisory functions in addition to its broker-dealer operations.

The Partnership consists of a General Partner, James Baker Group, Inc. ("JBG"), and Class A and Class B Limited Partners. The Class A Limited Partner, which holds a voting interest in the Partnership, is comprised solely of The Baker Group, Inc. ("TBG"). The Class B Limited Partners have nonvoting interests and are issued in three series, the Class B Series I Interests, the Class B Series II Interests and the Class B Series III Interests. The Class B Series I Partners may be comprised of state banking associations and the Class B Series II and III Partners are individuals, some of whom also own JBG and TBG.

Basis of Presentation – In preparing its financial statement in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash flows, cash and cash equivalents include cash on deposit at banks and depository institutions, and federal funds sold. Federal funds are sold for one-day periods.

Securities Transactions – Securities transactions are recorded on the trade date, as if they had settled. Securities owned are valued at market value with the resulting difference between cost and market included in income for the period. The valuation of securities often requires judgements and estimates. The valuation is as of a specific date and such values may change significantly due to changes in interest rates, the credit quality of the issuer of the security, or other market factors. Commissions and related clearing expenses are recorded on a trade date basis as security transactions occur. As of December 31, 2000, securities owned consisted of U. S. Government securities and state and municipal securities with balances of \$10,576,196 and \$788,510, respectively.

Investment Advisory Fees – Investment advisory fees are received monthly and recognized as earned based on the terms of the contracts.

Depreciation – Depreciation of furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets which range from three to five years.

Long-Lived Assets – The Partnership reviews the carrying value of long-lived assets used in operations when changes in events or circumstances indicate the asset might become impaired. The review is based on comparing the carrying amount of the assets to the undiscounted estimated cash flows over the remaining useful lives. If this review indicates that an asset has been impaired, the Partnership records a charge to operations to reduce the asset's carrying value to fair value, which is based on estimated discounted cash flows.

Recently Issued Accounting Standards – In June 1998, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards for derivative financial instruments. The Partnership had no derivative financial instruments at December 31, 2000 and does not currently engage in hedging activities. The Partnership adopted SFAS No. 133 on January 1, 2001 as required. Adoption of SFAS No.133 did not affect the Partnership's financial condition.

In September 2000, the FASB issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 140 replaces SFAS No. 125. It revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS No. 125's provisions without