

Daniel G. Blanchard
*Executive Vice President, Chief
Financial Officer and Treasurer*

**TOM BROWN, INC.
401(k) RETIREMENT PLAN**

Financial Statements and Supplemental Schedule

December 31, 2001 and 2000

(With Independent Auditors' Report Thereon)

EIN 95-1949781

**TOM BROWN, INC.
401(k) RETIREMENT PLAN**

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Independent Auditors' Report

The Plan Administrator
Tom Brown, Inc. 401(k) Retirement Plan:

We have audited the accompanying statement of net assets available for benefits of the Tom Brown, Inc. 401(k) Retirement Plan (the Plan) as of December 31, 2001, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The statement of net assets available for benefits and the statement of changes in net assets available for benefits as of and for the year ended December 31, 2000, were audited by other auditors whose report dated September 10, 2001 expressed an unqualified opinion on those statements.

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

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In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001, and the changes in net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2001 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule 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.

KPMG LLP

Denver, Colorado
June 14, 2002

**TOM BROWN, INC.
401(k) RETIREMENT PLAN**

Statements of Net Assets Available for Benefits

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Assets:		
Investments, at fair value:		
Cash and cash equivalents	\$ 1,296	749,866
Mutual funds	8,808,487	6,720,446
Tom Brown, Inc. common stock	718,331	1,139,545
	<u>9,528,114</u>	<u>8,609,857</u>
Participant loans	206,493	229,738
	<u>9,734,607</u>	<u>8,839,595</u>
Receivables:		
Employer contributions	95,099	40,836
Participant contributions	61,273	86,884
	<u>156,372</u>	<u>127,720</u>
Net assets available for benefits	\$ 9,890,979	8,967,315

See accompanying notes to financial statements.

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Additions to net assets attributed to:		
Investment income (loss):		
Interest and dividends	\$ 190,560	483,034
Net depreciation in fair value of investments, including realized and unrealized gains and losses	(914,959)	(139,651)
Total investment income (loss)	(724,399)	343,383
Contributions:		
Employer	851,552	498,130
Participant	1,454,836	1,098,091
Rollovers	213,375	121,099
Total contributions	2,519,763	1,717,320
Total additions	1,795,364	2,060,703
Deductions from net assets attributed to:		
Benefits paid to participants	(871,700)	(1,181,451)
Net increase	923,664	879,252
Net assets available for benefits:		
Beginning of year	8,967,315	8,088,063
End of year	\$ 9,890,979	8,967,315

See accompanying notes to financial statements.

**TOM BROWN, INC.
401(k) RETIREMENT PLAN**

Notes to Financial Statements
December 31, 2001 and 2000

(1) Description of Plan

The Tom Brown, Inc. KSOP Plan was established effective January 1, 1996, as the result of a merger of the Tom Brown, Inc. Employee Stock Ownership Plan (ESOP) and the Tom Brown, Inc. Profit Sharing 401(k) Plan. Effective January 1, 2000, the plan was amended and restated and the plan's name was changed to the Tom Brown, Inc. 401(k) Retirement Plan (the Plan). The following description of the Plan provides only general information. Participants should refer to the Plan document, as amended and restated, for a more complete description of the Plan's provisions.

(a) General

The Plan is sponsored by Tom Brown, Inc. and adopting affiliates (collectively, the Employer). It is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

(b) Eligibility

Effective January 1, 2000, employees are eligible to participate in the Plan immediately upon employment. Prior to January 1, 2000, employees were eligible to participate in the Plan on the January 1, April 1, July 1, or October 1 following their completion of 6 months of service, as defined, providing the employee had attained age 21. The Plan specifically excludes employees governed by a collective bargaining agreement and nonresident aliens who receive no earned income within the United States.

(c) Trustee and Asset Custodian

An employee of the Employer serves as trustee and administrator of the Plan and performs certain administrative duties. Such employee does not receive compensation from the Plan. The Vanguard Group and Edward Jones serve as asset custodians for the Plan. During December 2001, the Plan changed its asset custodians from Vanguard Group to Principal Financial Group and Banker's Trust Company N.A. During January 2002, the assets held at Edward Jones were transferred to Banker's Trust Company N.A. and Edward Jones no longer serves as an asset custodian for the Plan.

(d) Contributions

Participants may elect to have a portion of their salaries deferred in whole percentages between 0% and 15% and can contribute to the Plan on a pre-tax basis subject to certain limitations and up to the maximum amount allowable under the Internal Revenue Code (\$10,500 in 2001 and 2000).

For each Plan year the Employer may make a discretionary matching contribution to the Plan. Effective July 1, 2001, the discretionary matching contribution is equal to 100% of the participant's deferral not to exceed a maximum of 7% of the participant's annual compensation for the plan year. Prior to July 1, 2001 and for 2000, the discretionary matching contribution was two-thirds of deferred compensation not to exceed 4% of annual compensation, as defined by the Plan document. The Employer may also make an additional discretionary contribution to the Plan each year. There were no additional discretionary contributions for the 2001 and 2000 Plan years.

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(e) Participant Accounts

Each participant's account is credited with the participant's contribution and Employer matching contribution plus an allocation of the Employer's discretionary contribution, if any, and investment earnings and losses. Investment earnings and losses are allocated based on the weighted value of each participant's account balance relative to the weighted value of all participants' account balances at each valuation date.

(f) Investment Options

Participants are permitted to direct the investment of their accounts into various mutual funds offered by the Principal Financial Group (prior to December 2001, the Vanguard Group) and common stock held by Edward Jones and Banker's Trust Company N.A. In addition, participants who formerly had account balances under the ESOP may continue to hold Tom Brown, Inc., common stock or direct the investment of their prior ESOP accounts into their own investment portfolio to reflect their own retirement planning needs and objectives (self-directed funds).

Beginning December 2001, a participant may direct contributions to any of the following investment options:

Fidelity Institutional Money Market Government Fund CLI

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Principal Stable Value Fund

Principal Bond Mortgage Separate Account

Principal Large Cap Stock Index Separate Account

Principal LifeTime Strategic Income Separate Account

Principal LifeTime 2010 Separate Account

Principal LifeTime 2020 Separate Account

Principal LifeTime 2030 Separate Account

Principal LifeTime 2040 Separate Account

Principal LifeTime 2050 Separate Account

Principal Real Estate Separate Account

Russell LifePoints® Consev Strategy (D) Separate Account

Russell LifePoints® Moderate Strategy (D) Separate Account

Russell LifePoints® Balanced Strategy (D) Separate Account

Russell LifePoints® Agg Strategy (D) Separate Account

Russell LifePoints® Eqty Agg Strategy (D) Separate Account

Principal Mid-Cap Stock Index Separate Account

Principal Partners Small-Cap Value Separate Account

Principal Small-Cap Stock Index Separate Account

Principal International Small Company Separate Account

T. Rowe Price Science Technology Fund

Neuberger Berman Focus Tr Cl Fund

Vanguard Health Care Fund

Fidelity Advisor Equity Growth I Fund

Vanguard Explorer Fund

American Century Value Inv Fund

T. Rowe Price Capital Appreciation Fund

T. Rowe Price New Era Fund

Putnam International Growth A Fund

Fidelity Advisor Mid Cap I Fund

Vanguard Intermediate-Term Treasury Fund

Tom Brown, Inc. Common Stock

Prior to December 2001, a participant could direct contributions to any of the following investment options:

Vanguard Prime Money Market Fund

Vanguard 500 Index Fund

Vanguard Asset Allocation Fund

Vanguard Balanced Index

Vanguard Energy Fund

Vanguard Growth and Income Fund

Vanguard Growth Index Fund

Vanguard Intermediate Term Treasury Fund

Vanguard International Growth Fund

Vanguard LifeStrategy Conservative Growth Fund

Vanguard LifeStrategy Growth Fund

Vanguard LifeStrategy Income Fund

Vanguard LifeStrategy Moderate Growth Fund

Vanguard Morgan Growth Fund

Vanguard REIT Index Fund

Vanguard Small-Cap Index Fund

Vanguard Total Bond Market Index Fund

Vanguard Total International Stock Index Fund

Vanguard U.S. Growth Fund

Vanguard Wellington Fund

Vanguard Windsor II Fund

(g) Vesting

Participants are immediately vested in their contributions plus earnings thereon. Effective July 1, 2001, participants vested in their Employer contributions immediately. Prior to July 1, 2001, vesting in Employer contributions was based on the participant's years of continuous service as follows:

Years of service	Vested percentage
Less than 2	0%
2	40
3	60

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<u>Years of service</u>	<u>Vested percentage</u>
4	80
5	100

(h) Forfeitures

When certain terminations of participants in the Plan occur, the nonvested portion of the participant's account represents a forfeiture. Forfeitures are used to reduce future Employer contributions. Forfeitures used to reduce Employer contributions in 2001 and 2000 were \$71,905 and \$0, respectively. As of December 31, 2001 and 2000, unused forfeitures of \$0 and \$39,942, respectively, were held as Plan assets.

(i) Payment of Benefits

On termination of employment, retirement, death, or disability, participants may request to receive a lump-sum distribution equal to the vested value of their accounts. Participants may also request the distribution of their Tom Brown, Inc. common stock in cash or stock.

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(j) In-Service Withdrawals and Loans

An actively employed participant may withdraw from his or her pre-tax contribution account based upon the demonstration of financial hardship. In the event of a hardship withdrawal, the participant is prohibited from making contributions to the Plan for a 12-month period.

Participants may borrow from their accounts a minimum of \$1,000 and up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance, subject to certain restrictions. Participants are allowed only one loan outstanding at any time. All loans are amortized over a period not to exceed five years, except for loans to purchase or construct a primary residence which may be repaid over a longer period. Loans bear interest at a rate commensurate with local prevailing rates. The interest rate on loans outstanding range from 8.5% to 11.5% at December 31, 2001 and 2000.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Company to make estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ significantly from those estimates.

(b) Valuation of Investments and Income Recognition

Investments in mutual funds and common stocks are valued at fair value based on quoted market prices. Cash and cash equivalents and participant loans are stated at cost which approximates fair value.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

(c) Payment of Benefits

Benefits to participants are recorded when paid.

(d) Administrative Expenses

Administrative expenses of the Plan were paid by the Employer for the 2001 and 2000 Plan year, respectively.

(3) Investments

The fair values of individual investments that represent 5% or more of the Plan's net assets as of December 31, 2001 and 2000, are as follows:

	<u>2001</u>	<u>2000</u>
Cash and cash equivalents:		
Vanguard Prime Money Market Fund	\$	697,929
Mutual funds:		
Principal Stable Value Fund	1,028,381	
Principal Large Cap Stock Index Separate Account	2,590,232	
Neuberger Berman Focus Tr Cl Fund	785,499	
Fidelity Advisor Equity Growth I Fund	1,231,041	
Putnam International Growth A Fund	583,633	
Vanguard 500 Index Fund		1,472,996
Vanguard Balanced Index		449,188
Vanguard Growth and Income Fund		1,263,930
Vanguard International Growth Fund		598,247
Vanguard Morgan Growth Fund		551,297
Vanguard Windsor II Fund		679,555
Common stock:		
Tom Brown, Inc.	718,331	906,462

The Plan investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	<u>2001</u>	<u>2000</u>
Mutual funds	\$ (728,585)	(834,119)
Common stocks	(186,374)	694,468
	<u>\$ (914,959)</u>	<u>(139,651)</u>

(4) Plan Termination

Although it has not expressed any intent to do so, the Employer has the right to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

(5) Federal Income Taxes

The Plan obtained its latest determination letter on March 19, 2002, in which the Internal Revenue Service stated that the Plan was in compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the Code).

(6) Related Party Transactions

Certain Plan investments represent shares of money market funds and mutual funds offered by the asset custodians of the Plan (see note 1c). As such, these qualify as party-in-interest transactions.

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The Plan also holds Tom Brown, Inc. common stock. As Tom Brown, Inc. is the Employer, these transactions also qualify as party-in-interest transactions.

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(7) Risks and Uncertainties

The Plan provides for various investments in cash and cash equivalents, mutual funds, and common stock. Investment securities, in general, are exposed to various risks, such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

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**TOM BROWN, INC.
401(k) RETIREMENT PLAN**

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2001

Identity of issue, borrower, lessor, or similar party	Description of investment	Fair value
	Cash and cash equivalents	
Banker's Trust Company N.A.	* Fidelity Institutional Money Market Government Fund CLI	\$ 1,296
	Mutual funds:	
Principal Financial Group	* Principal Stable Value Fund	1,028,381
	* Principal Bond Mortgage Separate Account	267,037
	* Principal Large Cap Stock Index Separate Account	2,590,232
	* Principal LifeTime Strategic Income Separate Account	1,599
	* Principal LifeTime 2010 Separate Account	1,979
	* Principal LifeTime 2020 Separate Account	6,839
	* Principal LifeTime 2030 Separate Account	4,604
	* Principal LifeTime 2040 Separate Account	1,215
	* Principal LifeTime 2050 Separate Account	1,797
	* Principal Real Estate Separate Account	33,418
	* Russell LifePoints® Consev Strategy (D) Separate Account	41,767
	* Russell LifePoints® Moderate Strategy (D) Separate Account	69,082
	* Russell LifePoints® Balanced Strategy (D) Separate Account	450,251
	* Russell LifePoints® Agg Strategy (D) Separate Account	70,907
	* Russell LifePoints® Eqty Agg Strategy (D) Separate Account	2,214
	* Principal Mid-Cap Stock Index Separate Account	11,000
	* Principal Partners Small-Cap Value Separate Account	3,221
	* Principal Small-Cap Stock Index Separate Account	379,376
	* Principal International Small Company Separate Account	6,007

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Identity of issue, borrower, lessor, or similar party	Description of investment	Fair value
	* T. Rowe Price Science Technology Fund	1,459
	* Neuberger Berman Focus Tr Cl Fund	785,499
	* Vanguard Health Care Fund	128,015
	* Fidelity Advisor Equity Growth I Fund	1,231,041
	* Vanguard Explorer Fund	46,023
	* American Century Value Inv Fund	50,185
	* T. Rowe Price Capital Appreciation Fund	302,380
	* T. Rowe Price New Era Fund	236,783
	* Putnam International Growth A Fund	583,633
	* Fidelity Advisor Mid Cap I Fund	73,410
	* Vanguard Intermediate-Term Treasury Fund	399,133
	Total mutual funds	8,808,487
	10	
	Common stocks:	
Edward Jones	* Tom Brown, Inc. Common Stock	701,990
Banker's Trust Company N.A.	* Tom Brown, Inc. Common Stock	16,341
	Total common stocks	718,331
	Participants loans (interest rates ranging from 8.5% to 11.5%), various maturity dates	206,493
	Total investments	\$ 9,734,607

* Represents a party-in-interest.

See accompanying independent auditors' report.

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TOM BROWN, INC. 401(k) RETIREMENT PLAN Notes to Financial Statements December 31, 2001 and 2000

TOM BROWN, INC. 401(k) RETIREMENT PLAN Schedule H, Line 4i - Schedule of Assets (Held at End of Year) December 31, 2001

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