

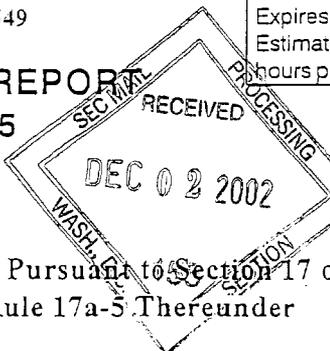
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

12/12
OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2004
Estimated average burden
hours per response... 12.00

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



SEC FILE NUMBER
8-20267

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 10/1/2001 AND ENDING 9/30/2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The Frazer Lanier Company, Incorporated

OFFICIAL USE ONLY
FIRM I.D. NO.

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

300 Water Street

(No. and Street)

Montgomery

Alabama

36104

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Jackson Thornton & Co., P.C.

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

200 Commerce Street

Montgomery

Alabama

36104

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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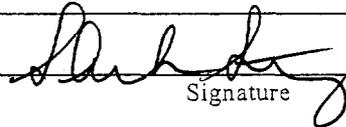
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FOR OFFICIAL USE ONLY

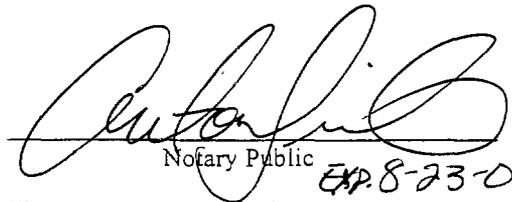
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, S. Ashton Stuckey, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Frazer Lanier Company, Incorporated, as of September 30, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Co-Chairman and Chief Operating Officer
Title


Notary Public
EXP. 8-23-06

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).

[Faint, illegible text]



The Frazer Lanier Company, Incorporated
Financial Statements Pursuant
To Section 17 of the Securities
Exchange Act of 1934, as Amended by the
Securities Acts Amendments of 1975
and Rule 17a-5 Thereunder as of
September 30, 2002

THE FRAZER LANIER COMPANY, INCORPORATED
MONTGOMERY, ALABAMA

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MONTGOMERY, ALABAMA

Dothan

Greenville

Prattville

Wetumpka

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Frazer Lanier Company, Incorporated
Montgomery, Alabama

We have audited the accompanying statement of financial condition of The Frazer Lanier Company, Incorporated as of September 30, 2002, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Frazer Lanier Company, Incorporated at September 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in pages 11 through 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jackson Thornton & Co. PC

Montgomery, Alabama
October 25, 2002

THE FRAZER LANIER COMPANY, INCORPORATED

STATEMENT OF FINANCIAL CONDITION

(X-17A-5)

AT SEPTEMBER 30, 2002

	ASSETS		
	<u>ALLOWABLE</u>	<u>NONALLOWABLE</u>	<u>TOTAL</u>
Cash	\$ 1,954,501		\$1,954,501
Securities owned at market value:			
Stocks and warrants	1,957,250		1,957,250
State and municipal obligations	14,897		14,897
Property, furniture, equipment, leasehold improvements and rights under lease agreements - at cost (Net of accumulated depreciation and amortization of \$772,652)		\$ 165,962	165,962
Other assets:			
Dividends and interest receivable		42,687	42,687
Loans and advances		2,644,506	2,644,506
Miscellaneous		23,099	23,099
Total assets	<u>\$ 3,926,648</u>	<u>\$ 2,876,254</u>	<u>\$6,802,902</u>

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	A. I. LIABILITIES	NON A. I. LIABILITIES	TOTAL
Liabilities:			
Payables to brokers or dealers:			
Other	\$ 233,662		\$ 233,662
Accounts payable and accrued liabilities and expenses:			
Accounts payable	44,937		44,937
Deferred income taxes		\$ 667,000	667,000
Income taxes	157,220		157,220
Accrued expenses and other liabilities	1,658,238		1,658,238
Total liabilities	\$ 2,094,057	\$ 667,000	2,761,057
Stockholders' equity:			
Common stock:			
Class A, voting, \$1 par value; authorized 3,000 shares, 2,872 shares issued; 2,390 shares outstanding			2,872
Class B, nonvoting, \$1 par value; authorized 1,000 shares, 550 shares issued; 321 shares outstanding			550
Additional paid-in capital			433,861
Retained earnings			4,359,807
			4,797,090
Less: Common stock in treasury; 711 shares at cost			755,245
Total stockholders' equity			4,041,845
Total liabilities and stockholders' equity			\$6,802,902

THE FRAZER LANIER COMPANY, INCORPORATED
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED SEPTEMBER 30, 2002

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TREASURY STOCK</u>
Balance at September 30, 2001	\$ 3,422	\$ 433,861	\$4,569,703	\$(755,245)
Net loss for year ended September 30, 2002			<u>(209,896)</u>	
Balance at September 30, 2002	<u>\$ 3,422</u>	<u>\$ 433,861</u>	<u>\$4,359,807</u>	<u>\$(755,245)</u>

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

THE FRAZER LANIER COMPANY, INCORPORATED

STATEMENT OF INCOME
(X-17A-5)
FOR THE YEAR ENDED SEPTEMBER 30, 2002

REVENUE:	
Underwriting transactions	\$ 2,751,778
Advisory fees	1,942,382
Gain (loss) on principal transactions:	
Realized	11,494
Unrealized gain (loss)	(662,430)
Interest	161,512
Other income	51,513
Total revenue	<u>4,256,249</u>
EXPENSES:	
Employee compensation and benefits	3,694,393
Communications	66,436
Occupancy and equipment costs	286,547
Promotional costs	214,065
Interest expense	4,045
Regulatory fees and expense	19,378
Other expenses	266,061
Total expenses	<u>4,550,925</u>
INCOME BEFORE INCOME TAXES	(294,676)
PROVISION (BENEFIT) FOR INCOME TAXES	<u>(84,780)</u>
NET INCOME (LOSS)	<u>\$ (209,896)</u>

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

THE FRAZER LANIER COMPANY, INCORPORATED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
Increase (Decrease) in Cash

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:	
Net income (loss)	\$ (209,896)
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation	14,516
Accrued interest	(49,089)
Loss on disposition of assets	693
Unrealized loss on securities	662,542
Provision for deferred tax benefit	(242,000)
Decrease in receivables	9,399
Increase in securities inventory	(14,897)
Increase in other assets	(16,729)
Increase in accounts payable and accrued expenses	<u>780,130</u>
Net cash from operating activities	<u>934,669</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:	
Principal amounts received, net	31,000
Purchases of equipment	(35,854)
Advances to officers, net	<u>(110,170)</u>
Net cash used for investing activities	<u>(115,024)</u>
NET INCREASE IN CASH	819,645
CASH AT BEGINNING OF YEAR	<u>1,134,856</u>
CASH AT END OF YEAR	<u><u>\$ 1,954,501</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:	
Cash paid during the year for:	
Interest	\$ 4,045
Income taxes	55,316

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

THE FRAZER LANIER COMPANY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of operations - The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD). The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions, investment banking, and investment advisory.

Underwriting revenues - Revenues from investment banking activities (primarily underwriting profits and fees) are recognized on the closing date of the bond issue.

Securities transactions - Purchases and sales of securities are recorded in the accounts on a trade date basis.

Securities - The Company carries all marketable securities at market values with applicable provision for deferred income taxes. Securities held at September 30, 2002 consist of the common stock of a bank holding company.

Depreciation - Depreciation of furniture and equipment is computed principally by accelerated methods for both financial reporting purposes and income tax purposes. Amortization of leasehold improvements is computed by the straight-line method. The estimated useful lives used to compute depreciation on assets are indicated below.

Leasehold improvements	5 - 31 years
Furniture and office equipment	5 - 7 years
Automobiles	5 years
Airplane	5 years

Income taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes primarily related to the differences between the basis of marketable securities for financial reporting and income tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will be taxable when the assets are sold.

Cash and cash equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Company maintains cash accounts in bank deposit accounts, which at times may exceed federally insured limits. At September 30, 2002, the Company has uninsured deposits of approximately \$1,280,000 in a money market account with a brokerage company. The Company also has a cash balance of approximately \$990,000 in U.S. dollars in an overseas account that is uninsured. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

THE FRAZER LANIER COMPANY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

Accounts receivable - Management has reviewed the accounts receivable and all are considered by management to be collectible; therefore, no allowance for doubtful accounts has been provided.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS:

Furniture, equipment and leasehold improvements consist of the following:

Leasehold improvements	\$ 20,076
Furniture and office equipment	388,735
Automobiles	144,902
Airplane	<u>377,525</u>
	931,238
Less: Accumulated depreciation and amortization	<u>765,276</u>
Total	<u>\$165,962</u>

NOTE 3 - NOTE PAYABLE - BANK:

The Company has a \$600,000 line of credit with Regions Bank under which no draws were outstanding at September 30, 2002. The variable line of credit bears interest at the Bank's index rate. The line of credit is secured by certain Company investment securities and expires February 2003. The note is guaranteed by the Company's majority stockholder.

The Company has a \$10,000,000 unsecured line of credit with First Commercial Bank under which no draws are outstanding at September 30, 2002. The variable line of credit bears interest at the Bank's index rate. The line of credit expires on May 20, 2003.

NOTE 4 - LEASES:

The Company subleases office space from certain individuals, one of whom is a stockholder of the Company. Rental expense amounted to \$136,200 for 2002. The lease agreement requires future rental payments totaling \$133,800 through September 30, 2003.

NOTE 5 - SUBORDINATED LIABILITIES:

At September 30, 2002, the Company had no liabilities subordinated to the claims of general creditors.

THE FRAZER LANIER COMPANY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 6 - INCOME TAXES:

The benefit for corporate income taxes for the year ended September 30, 2002 consists of the following:

Deferred tax benefit	(\$242,000)
Current income taxes:	
Federal	136,288
State	<u>20,932</u>
Total	<u>\$ (84,780)</u>

NOTE 7 - RETIREMENT PLAN:

The Company has a retirement plan covering substantially all employees. Contributions to the plan are authorized by the Board of Directors at its discretion. The Company's retirement expense for the year ended September 30, 2002 was \$130,564.

NOTE 8 - NET CAPITAL REQUIREMENT:

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At September 30, 2002, the Company had net capital and net capital requirements of \$684,226 and \$250,000, respectively. The Company's percentage of aggregate indebtedness to net capital was 306%. The net capital rules may effectively restrict the payment of cash dividends.

NOTE 9 - RECEIVABLES FROM RELATED PARTIES:

At September 30, 2002, loans and advances include \$2,554,491 from officers and employees. This amount includes \$2,374,689 due from one officer. A portion of these receivables is secured. The receivables earn interest at various rates. The interest earned during the year ended September 30, 2002 was \$148,456.

NOTE 10 - STOCK RETIREMENT AGREEMENTS:

The Company has a stock retirement agreement with each of its stockholders. The agreements require the Company to purchase its outstanding stock at a price equal to 100% or 75% of the book value of the shares, the percentage determined by the happening of certain events.

THE FRAZER LANIER COMPANY, INCORPORATED

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

(X-17A-5)

AS OF SEPTEMBER 30, 2002

COMPUTATION OF NET CAPITAL

Total stockholders' equity from statement of financial condition	<u>\$ 4,041,845</u>
Deductions and/or charges:	
Total nonallowable assets from statement of financial condition	2,876,254
Other deductions and/or charges	<u>20,000</u>
Total deductions and/or charges	<u>2,896,254</u>
Other additions and/or allowable credits:	
Deferred tax liability	<u>193,310</u>
Net capital before haircuts on securities positions	<u>1,338,901</u>
Haircuts on securities:	
Marketable investments	379,816
Undue concentration	<u>274,859</u>
Total haircuts on securities	<u>654,675</u>
Net capital	<u><u>\$ 684,226</u></u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total A.I. liabilities from statement of financial condition	<u>\$ 2,094,057</u>
Total aggregate indebtedness	<u><u>\$ 2,094,057</u></u>
Percentage of aggregate indebtedness to net capital	<u><u>306%</u></u>

THE FRAZER LANIER COMPANY, INCORPORATED
 SCHEDULE OF COMPUTATION FOR DETERMINATION OF
 RESERVE REQUIREMENTS
 FOR BROKER-DEALERS UNDER RULE 15c3-3
 (X-17A-5)
 AS OF SEPTEMBER 30, 2002

CREDIT BALANCES:	
Total credits	<u>\$ -</u>
DEBIT BALANCES:	
Total Rule 15c3-3 debits	<u>-</u>
RESERVE COMPUTATION:	
Excess of total credits over total debits	<u>-</u>
If monthly computation, 105% of total credits over total debits	<u>-</u>
Amount held on deposit in "Reserve Bank Account," end of reporting period	10
Amount of deposit	<u>-</u>
Net amount in reserve bank account after deposit	<u><u>\$ 10</u></u>
Date of deposit	N/A

There were no differences between the reserve requirements as shown on the Focus Report - Part II for the quarter ended September 30, 2002 and the financial statements as required by Rule 17a-5.

THE FRAZER LANIER COMPANY, INCORPORATED

SCHEDULE OF RECONCILIATION OF NET CAPITAL PURSUANT TO RULE 15c3-1
(X-17A-5)
AS OF SEPTEMBER 30, 2002

COMPUTATION OF NET CAPITAL	FOCUS - PART II QUARTER ENDED SEPTEMBER 30, 2002	ADJUSTMENTS	ANNUAL FINANCIAL STATEMENTS AT SEPTEMBER 30, 2002
Total stockholders' equity from statement of financial condition	\$ 4,160,753	\$ (118,908)	\$ 4,041,845
Deductions and/or charges:			
Total nonallowable assets from statement of financial condition	2,871,751	4,503	2,876,254
Other deductions and/or charges	20,000	-	20,000
Total deductions and/or charges	2,891,751	4,503	2,896,254
Other additions and/or allowable credits:			
Deferred tax liability	193,168	142	193,310
Net capital before haircuts on securities positions	1,462,170	(123,269)	1,338,901
Haircuts on securities:			
Marketable investments	340,662	39,154	379,816
Undue concentration	274,552	307	274,859
Total haircuts on securities	615,214	39,461	654,675
Net capital	\$ 846,956	\$ (162,730)	\$ 684,226
COMPUTATION OF AGGREGATE INDEBTEDNESS			
Total A.I. liabilities from statement of financial condition	\$ 1,956,273	\$ 137,784	\$ 2,094,057
Total aggregate indebtedness	\$ 1,956,273	\$ 137,784	\$ 2,094,057
Percentage of aggregate indebtedness to net capital	231%	75%	306%

The adjustments are primarily due to accrued income taxes payable and deferred income taxes, and the haircut computation on one security.

THE FRAZER LANIER COMPANY, INCORPORATED
SCHEDULE OF INFORMATION RELATING TO THE POSSESSION OR
CONTROL REQUIREMENTS UNDER RULE 15c3-3
(X-17A-5)
AS OF SEPTEMBER 30, 2002

State the market valuation and the number of items of:

Customers' fully paid securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3

Number of items

NONE
NONE

Customers' fully paid securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags resulting from normal business operations" as permitted under Rule 15c3-3

Number of items

NONE
NONE



MONTGOMERY, ALABAMA

Dothan

Greenville

Prattville

Wetumpka

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
REQUIRED BY SEC RULE 17a-5

To the Board of Directors
The Frazer Lanier Company, Incorporated
Montgomery, Alabama

In planning and performing our audit of the financial statements of The Frazer Lanier Company, Incorporated for the year ended September 30, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by The Frazer Lanier Company, Incorporated, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

- (1) Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e).
- (2) Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13.
- (3) Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control 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 the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Jackson Sharpton & Co. PC

Montgomery, Alabama
October 25, 2002