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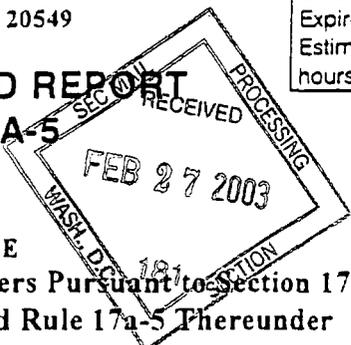


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

UF2-28-03  
OMB APPROVAL  
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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



SEC FILE NUMBER  
8-34910

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The Sturges Co.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY  
FIRM I.D. NO.

53 NORTH HIGH STREET  
(No. and Street)

DUBLIN OHIO 43017  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
MICHAEL R. STURGES (614) 761-0221  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

MARK P. MURPHY & ASSOCIATES  
(Name - if individual, state last, first, middle name)

500 WEST WILSON BRIDGE ROAD WORTHINGTON OHIO 43085  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

MAR 11 2003

FOR OFFICIAL USE ONLY  
THOMSON FINANCIAL

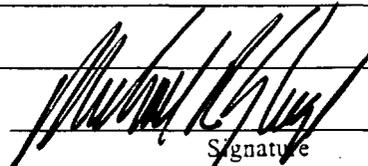
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

MAR 10 2003

OATH OR AFFIRMATION

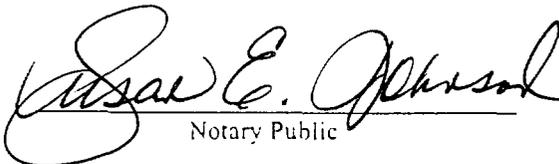
I, MICHAEL R. STURGES, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of THE STURGES COMPANY, as of DECEMBER 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature

PRESIDENT

Title

  
Notary Public



SUSAN E. JOHNSON  
Notary Public, State of Ohio  
My Commission Expires  
10-01-07

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).

**THE STURGES COMPANY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

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**MARK P. MURPHY & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

To the Stockholders of The Sturges Company

We have audited the accompanying statement of financial condition of The Sturges Company at December 31, 2002. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion the statement of financial condition referred to above presents fairly, in all material respects, the financial position of The Sturges Company at December 31, 2002, in conformity with generally accepted accounting principles.



Mark P. Murphy & Associates

February 4, 2003

**THE STURGES COMPANY**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2002**

**ASSETS**

Cash and Cash Equivalents	\$ 177,555
Fee Receivable	3,750
Accrued Interest	<u>825</u>
 <i>CURRENT ASSETS</i>	 182,130
 Furniture and Fixtures and Cost, Net of Accumulated Depreciation of \$51,465	  0
Securities (Note 4)	<u>30,000</u>
 <i>TOTAL ASSETS</i>	 <u><u>\$ 212,130</u></u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Accounts Payable and Accrued Expenses	\$ 13,948
Subordinated Debt Payable to Stockholder (Note 5)	<u>200,000</u>
 <i>TOTAL LIABILITIES</i>	 213,948
 Common Stock-750 Shares Authorized, 100 issued and Outstanding, Stated Value of \$5 per Share	  500
Retained Earnings	<u>(2,318)</u>
 <i>TOTAL STOCKHOLDER'S EQUITY</i>	 <u>(1,818)</u>
 <i>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</i>	 <u><u>\$ 212,130</u></u>

*The accompanying notes are an integral part of the financial statements*

**THE STURGES COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**1. Organization**

The Company operates as a registered broker and dealer in securities in Ohio and is a member of the National Association of Securities Dealer, Inc. (NASD). The Company's principal business activity is the underwriting of securities which are generally secured by insured mortgage loans.

**2. Significant Accounting Policies**

**Revenue Recognition**

Fee income is recognized when the underwriting is completed and the income is reasonably determined.

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as deposits or investments in local banks or other credit institutions with maturity dates of 90 days or less.

**Income Taxes**

The Company has elected for federal income tax purposes, under the internal revenue Code and the State of Ohio, to be an S-corporation. In lieu of corporation income taxes, the stockholders of an S-corporation are taxed on their proportionate share of the Company's taxable income.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost and include additions and improvements that extend the useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed over the estimated useful lives of the assets using the straight-line method for buildings and improvements, and the double declining balance method for equipment.

As of December 31, 2002 property, plant and equipment are fully depreciated.

**THE STURGES COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**3. Related Party Lease**

The company has entered into an agreement with a related party to lease office space. The lease calls for monthly payments of \$2,900 through December 31, 2003. Lease expense for 2002 was \$34,800. At December 31, 2002, future minimum lease payments in 2003 should be \$34,800.

**4. Securities**

The Company owns bonds from transactions in which it served as underwriter. These debt securities are to be held to maturity or call and are valued at cost.

**5. Subordinated Borrowings**

The sole stockholder loaned \$200,000 to the Company prior to January 1, 2002. The maturity date is December 31, 2004 and the current interest rate is 4.5%. The loans are subordinated to the claims of the Company's creditors. Pursuant to an agreement with the NASD, the debt qualifies as capital for the net capital calculation.

**6. Net Capital Requirement**

As a registered broker, The Sturges Company, is subject to Rule 15c3-1 of the Securities and Exchange Commission which specifies uniform minimum net capital requirements for its registrants. Accordingly, the Company is required to maintain net capital as defined, equal to the greater of \$100,000 or 6 2/3% of aggregate debt items. A notification received from the NASD on January 23, 2003 indicated that certain securities and cash in a money market account would be disallowed in the net capital computation due to not obtaining a PAIB agreement with the account holder, and because of this, the Company was not in compliance with minimum net capital requirements at December 31, 2002. At December 31, 2002, the Company had net capital of \$26,232 which generates a net capital (deficit) of (\$73,768). The Company has been in contact with the NASD and the SEC to resolve the issue of disallowed assets which has caused this deficit. As of January 24, 2003, the sole stockholder has deposited approximately \$30,900 into the Company to purchase the securities and transferred \$127,000 from the Merrill Lynch Tax Exempt Mutual Fund to its bank account at PNC Bank as of January 27, 2003. Therefore the Company has corrected the deficit and subsequently met uniform minimum net capital requirements required by rule 15c3-1 of the Securities and Exchange Commission.

**THE STURGES COMPANY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**7. Retirement Plans**

The Company has set up deferred compensation plan which cover both full time employees. These employees are the administrators of the plan. During 2002, the Company amended the Money Purchase Pension Plan to a Profit Sharing Plan and updated the plan for recent federal tax requirements. Contributions are made at the discretion of management and are funded as accrued. Contributions in 2002 were \$80,000.