

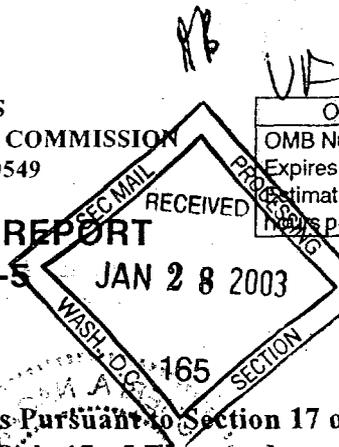
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

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

SEC FILE NUMBER  
8- 32608



VF-31-03

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 12/01/01 AND ENDING 11/30/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Strong Investments, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

One Hundred Heritage Reserve

(No. and Street)

Menomonee Falls

WI

53051

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Kevin J. Scott, Controller (414) 359-3623

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

PricewaterhouseCoopers, LLP

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

100 East Wisconsin Avenue Suite #1500 Milwaukee, WI

53202

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

FEB 06 2003

FOR OFFICIAL USE ONLY

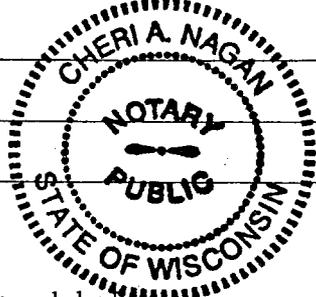
THOMSON  
FINANCIAL

\*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)

Handwritten initials

OATH OR AFFIRMATION

I, Thomas M. Zoeller, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Strong Investments, Inc., as of November 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:



State of Wisconsin  
County of Waukesha

Thomas M Zoeller  
Signature

This instrument was signed before me by Thomas M. Zoeller on January 22, 2003.

Chief Financial Officer  
Title

Cheri A Nagan  
Notary Public

My commission expires on 7/30/06.

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).



STRONG INVESTMENTS, INC.

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FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
for the year ended November 30, 2002

Pursuant to Securities and Exchange Commission  
Rule 17a-5(d)  
FOCUS Annual Report

STRONG INVESTMENTS, INC.

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PricewaterhouseCoopers LLP  
100 East Wisconsin Avenue  
Suite 1500  
Milwaukee WI 53202  
Telephone (414) 212 1600

### Report of Independent Accountants

To the Shareholder of  
Strong Investments, Inc.:

In our opinion, the accompanying statement of financial condition and the related statements of operations, cash flows, changes in liabilities subordinated to claims of general creditors and changes in shareholder's equity present fairly, in all material respects, the financial condition of Strong Investments, Inc. at November 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. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 11 – 13 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 issued 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.

*PricewaterhouseCoopers LLP*

January 17, 2003

STRONG INVESTMENTS, INC.  
STATEMENT OF FINANCIAL CONDITION  
November 30, 2002

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ASSETS

Cash and cash equivalents	\$ 5,002,385
Cash restricted for reserve requirements	1,000,000
Securities, at market value	3,428,820
Deposit with clearing broker	101,064
Receivable from affiliate	1,291,443
Other receivables	173,056
Prepaid expenses	102,449
Deferred share costs, net	4,962,358
Goodwill, net	4,882,012
Total assets	<u>\$ 20,943,587</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Accrued liabilities:	
Salaries, wages and benefits	\$ 6,005,456
Other	386,561
Payable for customer stock options	468,068
Payable to customers	350,513
	<u>7,210,598</u>
Liabilities subordinated to claims of general creditors	<u>1,500,000</u>
Shareholder's equity:	
Common stock, voting, \$.01 par value; 9,000 shares authorized; 100 shares issued	1
Additional paid-in capital	7,989,999
Retained earnings	4,242,989
Total shareholder's equity	<u>12,232,989</u>
Total liabilities and shareholder's equity	<u>\$ 20,943,587</u>

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

STRONG INVESTMENTS, INC.  
STATEMENT OF OPERATIONS  
for the year ended November 30, 2002

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Revenues:	
Distribution and account supervision fees	\$ 89,853,024
Commissions	4,485,804
Dividends	305,185
Total revenues	<u>94,644,013</u>
Expenses:	
Salaries, wages and employee benefits	37,490,640
Marketing and promotion	21,479,682
Account administration fees	17,025,389
Communications	2,692,930
Amortization of deferred share costs	1,834,159
Leased and rented equipment	1,453,324
Brokerage clearing fees	1,442,349
Regulatory fees	1,259,824
Net investment losses	1,018,116
Legal and professional fees	612,867
Other expenses	8,913,131
Total expenses	<u>95,222,411</u>
Net loss	<u>\$ (578,398)</u>

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

STRONG INVESTMENTS, INC.  
STATEMENT OF CASH FLOWS  
for the year ended November 30, 2002

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Cash flows from operating activities:	
Net loss	\$ (578,398)
Adjustments to reconcile to net cash used in operating activities:	
Amortization of deferred share costs	1,834,159
Changes in operating assets and liabilities:	
Securities, at market value	3,902,534
Accounts with affiliates	(1,596,487)
Deferred share costs	(2,512,250)
Accrued liabilities	(1,842,452)
Payable to customers	(592,234)
Other	246,463
Net cash used in operating activities	<u>(1,138,665)</u>
Cash and cash equivalents:	
Beginning of year	<u>6,141,050</u>
End of year	<u>\$ 5,002,385</u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ 35,817

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

STRONG INVESTMENTS, INC.  
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS  
for the year ended November 30, 2002

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Subordinated borrowing at December 1, 2001	\$ 1,500,000
Increase:	
Issuance of subordinated note payable	--
Decrease:	
Payment of subordinated note payable	--
	<hr/>
Subordinated borrowing at November 30, 2002	<u>\$ 1,500,000</u>

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

STRONG INVESTMENTS, INC.  
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
for the year ended November 30, 2002

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholder's Equity</u>
Balances, December 1, 2001	\$ 1	\$ 7,989,999	\$ 4,821,387	\$ 12,811,387
Net loss	--	--	(578,398)	(578,398)
Balances, November 30, 2002	<u>\$ 1</u>	<u>\$ 7,989,999</u>	<u>\$ 4,242,989</u>	<u>\$ 12,232,989</u>

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

STRONG INVESTMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS

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A. ORGANIZATION AND NATURE OF BUSINESS

Strong Investments, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers ("NASD") and the Securities Investor Protection Corporation ("SIPC"). The Company is a wholly-owned subsidiary of Strong Financial Corporation ("SFC"), and the distributor for the Strong Family of Mutual Funds (the "Strong Funds") pursuant to service agreements with each of the funds. The Company also operates in the reduced-commission securities brokerage business.

B. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements.

**CASH AND CASH EQUIVALENTS**--The Company classifies as cash equivalents all highly liquid investments with maturities of three months or less at the date of purchase and money market investments. At November 30, 2002, cash equivalents consisted primarily of investments in Strong Money Market Funds.

**CASH RESTRICTED FOR RESERVE REQUIREMENTS**--Cash of \$1,000,000 has been segregated in a special reserve bank account and restricted for the benefit of customers under Rule 15c3-3 of the Securities Exchange Act of 1934.

**SECURITIES**--Securities consist primarily of investments by the Company in various Strong Funds (other than money market funds). Proprietary securities transactions in regular-way trades are recorded on the trade date. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. All securities owned by the Company as of November 30, 2002 are marketable and valued at market. Realized and unrealized gains and losses on securities owned are determined based on the specific identification method and are recorded in the Company's Statement of Operations.

**GOODWILL**--Goodwill resulted from the Company's reduced-commission securities brokerage acquisition in 1999. Effective December 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Under SFAS No. 142, goodwill is no longer amortized, rather it must be tested for impairment at least annually. No impairment charge was necessary as of November 30, 2002.

STRONG INVESTMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued

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DEFERRED SHARE COSTS--Dealer reallowance charges paid by the Company associated with the sale of shares of Strong Funds by third party intermediaries are deferred and amortized on the straight-line basis over the period in which the Company expects to recoup the dealer charges through subsequent fee revenues. These periods range from 12 to 60 months, depending on the mutual fund and associated share class. The Company receives fee revenues from the Strong Funds related to the classes in the form of Rule 12b-1 fees, contingent deferred sales charges and other recurring service charges.

On January 2, 2002, the Company entered into an agreement with FEP Capital, L.P. ("FEP"). Under the agreement, FEP pays Strong 4.38% of each sale of Class B shares of Strong Funds and earns the resulting 12b-1 fees and contingent deferred sales charges related to these sales. From the amounts received from FEP, the Company is responsible for the payment of reallowance charges to third party intermediaries.

In addition, FEP reimbursed the Company for dealer reallowance charges paid by the Company to third party intermediaries prior to the agreement. Pursuant to the agreement, FEP paid the Company approximately \$3.2 million in cash. Upon receipt of the payment, the Company removed approximately \$2.7 million in unamortized dealer reallowance charges from assets and recognized approximately \$0.5 million of revenue.

DEPOSIT WITH CLEARING BROKER--The Company clears certain of its customer transactions through another broker-dealer on a fully disclosed basis. The amount deposited with the clearing broker relates to the transactions as described in "Commission Income."

PAYABLE FOR CUSTOMER STOCK OPTIONS--In conjunction with its brokerage operations, the Company acts as an agent to clear exercises of options by employees of an unrelated company. The Company receives proceeds from the employees upon the exercise of the options and remits these proceeds to the unrelated company upon the settlement of the transaction. At November 30, 2002, the Company had received cash and recorded a liability for \$468,068 for customer stock options exercised, but not yet settled.

DISTRIBUTION AND ACCOUNT SUPERVISION FEES--Pursuant to an agreement with SFC, the Company receives distribution and account supervision fees from SFC. Also included in distribution and account supervision fees are other related revenues such as 12b-1 fees and front-end loads.

COMMISSION INCOME--Acting as an agent, the Company earns commission income for buying and selling securities on behalf of its customers. Customers' securities transactions are reported on a settlement date basis, which is generally three business days after the trade date, with related commission income and clearing expenses reported on a trade date basis.

STRONG INVESTMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued

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INCOME TAXES--The Company is a Qualified Subchapter S Subsidiary of SFC. For federal income tax purposes, the Company's income is subjected to income taxes at the shareholder level pursuant to provisions of the Internal Revenue Code.

MANAGEMENT ESTIMATES--The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the period presented. These estimates and assumptions also affect the nature of the disclosure of contingencies. Actual results could differ from these estimates.

C. PAYABLE TO CUSTOMERS

Payable to customers represents amounts due on cash transactions which are required to be remitted to customers or mutual funds. In connection with the Company's reduced commission securities brokerage business, the Company has elected to clear all such transactions through a clearing broker (see Note B).

D. TRANSACTIONS WITH RELATED PARTIES

As noted in Note B, the Company maintains a service agreement with SFC whereby the Company receives distribution and account supervision fees from SFC. The Company received distribution and account supervision fee revenue of \$80,155,119 from SFC for the year ended November 30, 2002. In addition, the Company is the distributor for the Strong Funds pursuant to separate service agreements with each of the Funds. The Company received 12b-1 fee revenue of \$2,016,395 from the Funds for the year ended November 30, 2002.

E. SUBORDINATED NOTE PAYABLE

As of November 30, 2002, the Company had borrowings of \$1,500,000 from SFC under a subordinated loan agreement which matures on May 31, 2006. On April 29, 2002, the subordinated loan agreement was amended to change the interest rate to 0% per annum. Prior to the amendment, borrowings were subject to interest charges, payable quarterly, based on the Prime Rate.

The subordinated borrowing is available in computing net capital under the SEC's uniform net capital rule. To the extent that the borrowing is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid.

STRONG INVESTMENTS, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued

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F. PENSION AND PROFIT SHARING PLANS

Together with SFC and other affiliated companies, the Company sponsors both a pension and a profit-sharing 401(k) plan for its employees. For employees with at least one year of service, the Company contributes to a qualified defined contribution pension plan 3% of the compensation paid to eligible employees (subject to certain limitations), reduced by any forfeitures from participants. For employees with at least one year of service, the Company also matches 100% of the employee's contributions in the Company's profit-sharing 401(k) plan up to a maximum of 6% of the employee's annual compensation (subject to certain limitations). The Company's expense under these plans was \$1,709,271 for the year ended November 30, 2002.

G. NET CAPITAL REQUIREMENTS

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At November 30, 2002, the Company had net capital of \$1,748,274, which was \$1,288,489 in excess of its required net capital of \$459,785. The Company's ratio of aggregate indebtedness to net capital was 3.94 to 1 at November 30, 2002.

H. CONTINGENCIES AND COMMITMENTS

Securities transactions of certain customers are cleared through a clearing broker. Under the terms of the clearing agreement, the Company is required to guarantee the performance of its customers in meeting contracted obligations. In conjunction with the clearing broker, the Company seeks to control the risks associated with its customer activities by requiring customers to maintain collateral in compliance with various regulatory and internal guidelines. Compliance with the various guidelines are monitored daily and, pursuant to such guidelines, the customers may be required to deposit additional collateral, or reduce positions when necessary.

The Company monitors the creditworthiness of the clearing broker to mitigate the Company's exposure to credit risk related to the deposit with the clearing broker.

STRONG INVESTMENTS, INC.  
 COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL  
 UNDER RULE 15c3-1 OF THE SECURITIES EXCHANGE ACT OF 1934  
 as of November 30, 2002

Aggregate indebtedness:		
Total liabilities		\$ 8,710,598
Less:		
Subordinated note payable		(1,500,000)
Adjustment based on restricted deposits in Special Reserve Bank Accounts		(313,814)
Aggregate indebtedness		<u>\$ 6,896,784</u>
Net capital:		
Shareholder's equity:		
Common stock		\$ 1
Additional paid-in capital		7,989,999
Retained earnings		4,242,989
		<u>12,232,989</u>
Add subordinated note payable		1,500,000
		<u>13,732,989</u>
Less non-allowable assets:		
Goodwill		4,882,012
Other nonallowable assets		6,492,237
		<u>11,374,249</u>
Net capital before haircuts on securities positions and other deductions		2,358,740
Haircuts on securities computed pursuant to Rule 15c3-1c(2)(vi)		(610,466)
Net capital		<u>\$ 1,748,274</u>
Net capital requirements:		
\$250,000 or 6-2/3% of aggregate indebtedness, whichever is greater		\$ 459,785
Net capital in excess of requirement		1,288,489
Net capital as above		<u>\$ 1,748,274</u>
Percentage of aggregate indebtedness to net capital		394%

Note: The above calculation does not differ from the computation for determination of Net Capital requirements under Rule 15c3-1 as of November 30, 2002, filed by Strong Investments, Inc. in its Form X-17A-5 with the National Association of Securities Dealers, Inc. in December 2002.

STRONG INVESTMENTS, INC.  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934  
as of November 30, 2002

Free and other credit balances in customers' securities accounts	\$ <u>350,513</u>
Total credit items	<u>350,513</u>
Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions	<u>36,699</u>
Total debit items	<u>36,699</u>
Excess of total credits over total debits	313,814
Amount held on deposit in reserve bank accounts	<u>1,000,000</u>
Excess as reported in Company's Part II FOCUS report	<u>\$ 686,186</u>
Required deposit	None

Note: The above calculation does not differ from the computation for determination of Reserve Requirements under Rule 15c3-3 as of November 30, 2002, filed by Strong Investments, Inc. in its Form X-17A-5 with the National Association of Securities Dealers, Inc. in December 2002.

STRONG INVESTMENTS, INC.  
INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934  
as of November 30, 2002

1. Customers' fully paid and excess margin 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 the Rule 15c3-3).

A. Number of items None

2. Customers' fully paid and excess margin 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 which result from normal business operations" as permitted under Rule 15c3-3.

B. Number of items None

Note: The above information does not differ from the possession or control requirements under Rule 15c3-3 as of November 30, 2002, filed by Strong Investments, Inc. in its Form X-17A-5 with the National Association of Securities Dealers, Inc. in December 2002.

INDEPENDENT ACCOUNTANTS' REPORT  
ON INTERNAL CONTROL REQUIRED  
BY SEC RULE 17a-5  
As of November 30, 2002

To the Shareholder of Strong Investments, Inc.:

In planning and performing our audit of the financial statements and supplemental schedules of Strong Investments, Inc. (the "Company") for the year ended November 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) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, 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 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. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System;
4. Determining compliance with the exemptive provisions of Rule 15c3-3; and
5. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3 for customers of the Strong Advisor Program.

Because the Company conducts its operations as the distributor of the Strong Family of Mutual Funds and its reduced commission securities brokerage business in accordance with the exemptive provisions of paragraph (k)(2)(i) of Rule 15c3-3, we did not review the practices and procedures followed by the Company for 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 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 control 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 generally accepted accounting principles. 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 internal control to future periods is subject to the risk that controls 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 one or more of the specific internal control components does not reduce to a relatively low level the risk that error 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 procedures 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 November 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, 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.

*PricewaterhouseCoopers LLP*

January 17, 2003