

WF 3-6-03

*** Act 3/3/2003

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

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

REC'D S.E.C.
FEB 19 2003
626

SEC FILE NUMBER
8-43596

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:

Lloyd Ray Partridge dba Lloyd Partridge & Associates

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

4404 Avenue N 1/2, No. 2

(No. and Street)

Galveston

Texas

77551

(City)

(State)

(Zip Code)

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

LLOYD PARTRIDGE

(409) 763-6355

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

J. J. BROWN, VI, C.P.A.

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

1018 Tremont

Galveston

Texas

77550

(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 21 2003

THOMSON
FINANCIAL

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).

6/1/03

SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

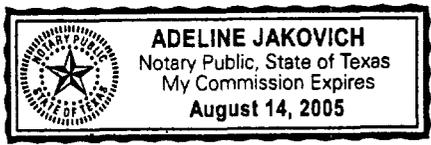
I, LLOYD R. PARTRIDGE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PARTRIDGE, LLOYD RAY d/b/a LLOYD PARTRIDGE & ASSOCIATES, as of

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:

None

Lloyd R. Partridge
Signature
Sole Proprietor
Title

Adeline Jakovich
Notary Public



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 Proprietor's 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 15c3-1 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).

FORM X-17A-5

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

12/90

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s))

- 1) Rule 17a-5(a) [X] 16 2) Rule 17a-5(b) 17 3) Rule 17a-11 18 4) Special request by designated examining authority 19 5) Other 26

NAME OF BROKER-DEALER

PARTRIDGE, LLOYD RAY d/b/a LLOYD PARTRIDGE & ASSOCIATES

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8-43596 14

FIRM ID. NO.

028288 15

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

4404 Avenue N 1/2, No. 2 20

(No. and Street)

FOR PERIOD BEGINNING (MM/DD/YY)

01-01-02 24

AND ENDING (MM/DD/YY)

12-31-02 25

Galveston 21 Texas 22 77551 23

(City)

(State)

(Zip Code)

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

(Area Code)—Telephone No.

GIL GOODSON 30

972-716-7629 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE 33

32

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DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 6th day of February 2003

Manual signatures of:

1) Lloyd R Partridge Principal Executive Officer or Managing Partner

2) Principal Financial Officer or Partner

3) Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:(a))

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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER **LLOYD PARTRIDGE & ASSOCIATES**

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**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) 12-31-02 99
 SEC FILE NO. 8-43596 98
 Consolidated 198
 Unconsolidated 199

ASSETS

	<u>Allowable</u>		<u>Non-Allowable</u>	<u>Total</u>
1. Cash	\$ 36,270	200		\$ 36,270 750
2. Receivables from brokers or dealers:				
A. Clearance account		295		
B. Other	227	300	550	227 810
3. Receivables from non-customers		355	600	830
4. Securities and spot commodities owned, at market value:				
A. Exempted securities		418		
B. Debt securities		419		
C. Options		420		
D. Other securities		424		
E. Spot commodities		430		850
5. Securities and/or other investments not readily marketable:				
A. At cost \$ 18,900		130		
B. At estimated fair value		440	18,900 610	18,900 860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
A. Exempted securities \$ 150		150		
B. Other securities \$ 160		160		
7. Secured demand notes: market value of collateral:				
A. Exempted securities \$ 170		170		
B. Other securities \$ 180		180		
8. Memberships in exchanges:				
A. Owned, at market \$ 190		190		
B. Owned, at cost			650	
C. Contributed for use of the company, at market value			660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		490	680	920
11. Other assets		535	735	930
12. TOTAL ASSETS	\$ 36,497	540	\$ 18,900 740	\$ 55,397 940

OMIT PENNIES

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

LLOYD PARTRIDGE & ASSOCIATES

as of 12-31-02

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	55,397	3480
2. Deduct ownership equity not allowable for Net Capital	▼ ¹⁹		3490
3. Total ownership equity qualified for Net Capital		55,397	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	55,397	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	▼ ¹⁷ \$	18,900	3540
B. Secured demand note deficiency			3590
C. Commodity futures contracts and spot commodities-proprietary capital charges			3600
D. Other deductions and/or charges			3610
7. Other additions and/or allowable credits (List)		(18,900)	3630
8. Net capital before haircuts on securities positions	▼ ²⁰ \$	36,497	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Exempted securities	▼ ¹⁸		3735
2. Debt securities			3733
3. Options			3730
4. Other securities			3734
D. Undue Concentration			3650
E. Other (List)			3736
10. Net Capital	\$	36,497	3750

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER LLOYD PARTRIDGE & ASSOCIATES

as of 12-31-02

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$		3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	31,497	3770
15. Excess net capital at 100% (line 10 less 10% of line 19)	\$	36,497	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$		3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	\$ 3830
19. Total aggregate indebtedness	\$		3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%		3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%		3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation (including both brokers or dealers and consolidated subsidiaries' debits)	\$		3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess net capital (line 10 less 24)	\$		3910
26. Net capital in excess of:			
5% of combined aggregate debit items or \$120,000	\$		3920

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NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER **LLOYD PARTRIDGE & ASSOCIATES**

as of 12-31-02

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING
AND CERTAIN OTHER BROKERS OR DEALERS**

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account	1114	1315	1560
B. Other	1115	1305	1540
15. Payable to non-customers	1155	1355	1610
16. Securities sold not yet purchased, at market value		1360	1620
17. Accounts payable, accrued liabilities, expenses and other	1205	1385	1685
18. Notes and mortgages payable:			
A. Unsecured	1210		1690
B. Secured	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders \$ 970			
2. Includes equity subordination (15c3-1 (d)) of \$ 980			
B. Securities borrowings, at market value:		1410	1720
from outsiders \$ 990			
C. Pursuant to secured demand note collateral agreements:		1420	1730
1. from outsiders \$ 1000			
2. Includes equity subordination (15c3-1 (d)) of \$ 1010			
D. Exchange memberships contributed for use of company, at market value		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
20. TOTAL LIABILITIES	\$ 1230	\$ 1450	\$ 1760

Ownership Equity

21. Sole proprietorship		\$ 55,397	1770
22. Partnership (limited partners	\$ 1020		1780
23. Corporation:			
A. Preferred stock			1791
B. Common stock			1792
C. Additional paid-in capital			1793
D. Retained earnings			1794
E. Total			1795
F. Less capital stock in treasury			1796
24. TOTAL OWNERSHIP EQUITY		\$ 55,397	1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY		\$ 55,397	1810

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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER LLOYD PARTRIDGE & ASSOCIATES

For the period (MMDDYY) from 01-01-02 to 12-31-02

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period		\$	47,403	4240
A. Net income (loss)			15,994	4250
B. Additions (Includes non-conforming capital of	\$		4262	4260
C. Deductions (Includes non-conforming capital of	\$	8,000	4272	4270
2. Balance, end of period (From item 1800)		\$	55,397	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period		\$		4300
A. Increases				4310
B. Decreases				4320
4. Balance, end of period (From item 3520)		\$		4330

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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER LLOYD PARTRIDGE & ASSOCIATES

as of 12-31-02

Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k) (1)—^{\$5,000} capital category as per Rule 15c3-1 **4550**
- B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained **4560**
- C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm 4335 **4570**
- D. (k) (3)—Exempted by order of the Commission **4580**

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)
31 4600	4601	4602	4603	4604	4605
31 4610	4611	4612	4613	4614	4615
34 4620	4621	4622	4623	4624	4625
33 4630	4631	4632	4633	4634	4635
34 4640	4641	4642	4643	4644	4645
37 4650	4651	4652	4653	4654	4655
38 4660	4661	4662	4663	4664	4665
37 4670	4671	4672	4673	4674	4675
40 4680	4681	4682	4683	4684	4685
41 4690	4691	4692	4693	4694	4695
			TOTAL \$	4699	

OMIT PENNIES

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

- WITHDRAWAL CODE: DESCRIPTION**
- 1. Equity Capital
 - 2. Subordinated Liabilities
 - 3. Accruals
 - 4. 15c3-1(c)(2)(iv) Liabilities

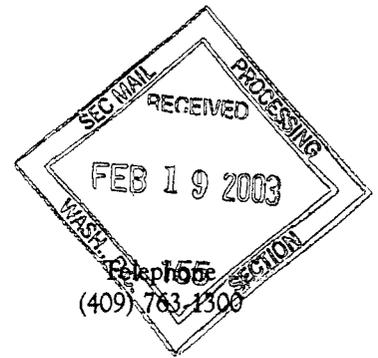
J. J. BROWN VI, INC.

A PROFESSIONAL CORPORATION

Certified Public Accountant

1018 Tremont

Galveston, Texas 77550



INDEPENDENT AUDITORS' REPORT

Lloyd Partridge & Associates
Galveston, Texas 77550

I have audited the accompanying balance sheet of Lloyd Partridge & Associates (a Sole Proprietorship) as of December 31, 2002 and the related statements of operations, sole proprietor's 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. My responsibility is to express an opinion of these financial statements based on my audit.

I conducted the audit in accordance with generally accepted auditing standards. Those standards require that I 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. The accounting audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lloyd Partridge & Associates as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information contained in Form X-17A-5, Part IIA 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.

Galveston, Texas
February 3, 2003

LLOYD PARTRIDGE & ASSOCIATES
BALANCE SHEET
DECEMBER 31, 2002

ASSETS

Current Assets

Cash in Bank	\$ 36,270
Accounts Receivable	227
Investments (Note 4)	<u>18,900</u>

Total Current Assets \$ 55,397

SOLE PROPRIETOR'S EQUITY

Sole Proprietor's Equity \$ 55,397

Total Proprietor's Equity \$ 55,397

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

LLOYD PARTRIDGE & ASSOCIATES
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Revenue</u>	
Revenue from Sale of Investment Company Shares	\$ 16,916
Interest Income	<u>366</u>
Gross Revenue	\$ 17,282
<u>Expenses</u>	
Legal and professional fees	\$ 614
License fees -NASD	<u>674</u>
Total Expenses	\$ 1,288
Net Income From Operations	\$ 15,994
Sole Proprietor's Equity as of 01/01/02	28,503
Proprietor Withdrawals	(8,000)
Disallowed capital expenditure (Note 4)	<u>18,900</u>
Sole Proprietor Equity 12/31/02	<u>\$ 55,397</u>

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

LLOYD PARTRIDGE & ASSOCIATES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

Cash Flows from Operating Activities

Cash Received/Earned from Sale of Investment Company Shares	\$ 16,689
Cash Received/Interest Income	366
Cash Expenses	<u>(1,288)</u>
Net cash provided by operating activities	15,767

Cash Flows from Investing Activities

Cash in Bank at Beginning of Year	28,503
Proprietor Withdrawals	<u>(8,000)</u>
Cash in Bank at End of Year	<u>\$ 36,270</u>

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

LLOYD PARTRIDGE & ASSOCIATES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 1 - Summary of Accounting Policies

The Proprietorship prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles.

Note 2 - SEC RULE 15C 3-3

It was determined that the proprietorship operates pursuant to the exemptive provisions of Paragraph K-1 of the SEC Rule 15C 3-3. The proprietorship did not hold customer funds or securities.

Note 3 - SEC RULE 15C 3-1

Pursuant to the Rule 15C 3-1 of the by-laws of the NASD, Inc., the proprietorship has a net capital balance as of 12/31/02 of \$36,497.00. Minimum capital requirements for a firm claiming exemption from Rule 15C 3-1 based on Article K-1 is \$5,000.00 Broker/Dealer reserves. There existed no differences in the audited capital requirement balance from that reflected on the financial statements of the firm.

Note 4 - INVESTMENTS

The Proprietorship purchased common stock which is not traded publicly. This investment of \$18,900.00 is available for sale but has no defined fair market value. Investment is deemed not allowable for computation of basic net capital requirements and as a consequence, is excluded from the calculation of proprietor equity.

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

J. J. BROWN VI, INC.

A PROFESSIONAL CORPORATION

Certified Public Accountant

1018 Tremont

Galveston, Texas 77550

Telephone
(409) 763-1300

Lloyd Partridge & Associates
Galveston, Texas 77550

In planning and performing my audit of the consolidated financial statements and supplemental schedules of Lloyd Partridge & Associates ("the Company") for the year ended December 31, 2002, I considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. 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.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 an internal control structure 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 any internal control structure or the practices and procedures referred to above, errors or irregularities 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weaknesses as defined above.

I 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2002, to meet the SEC's objectives.

Lloyd Partridge & Associates
Page 3

This report is intended solely for the use of 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 should not be used for any other purposes.

J. J. Brown, VI
Certified Public Accountant
1018 Tremont
Galveston, Texas 77550

A handwritten signature in cursive script, appearing to read "JJ Brown", is positioned to the right of the typed name and title.

LLOYD PARTRIDGE & ASSOCIATES

REPORT ON EXAMINATION

December 31, 2002