

VF 3-6-03

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00



03011168

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

RECEIVED  
FEB 27 2003  
155  
SECTION  
WASH. D.C.

SEC FILE NUMBER  
8-15469

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:

Kramer Securities Corporation

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

7120 S.W. 95th Street

OFFICIAL USE ONLY  
FIRM ID. NO.

Miami (City) FL (State) 33156 (Zip Code)

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

Albert Kramer 305-667-9922

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Sweeney, Gates & Co.

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

2419 E. Commercial Blvd., Suite 302, Fort Lauderdale, FL 33308

(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 13 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).

OATH OR AFFIRMATION

I, Albert Kramer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Kramer Securities Corporation

12/31/2002, 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:

Albert Kramer
Signature

President

Title

Cheryl Wolf
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).



Sweeney, Gates & Co.  
Certified Public Accountants and Consultants

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Kramer Securities Corporation

We have audited the statements of assets, liabilities and income which appears on pages one through five of the FOCUS Report of Kramer Securities Corporation as of December 31, 2002, and the related statements of changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities and 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 a 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 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 Kramer Securities Corporation as of December 31, 2002, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying reconciliation of net capital which appears on pages six through eight of the FOCUS Report 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 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Sweeney, Gates + Co.*

February 19, 2003

<b>FORM X-17A-5</b>	<h1 style="margin: 0;">FOCUS REPORT</h1> <p style="margin: 5px 0;">(Financial and Operational Combined Uniform Single Report)</p> <p style="margin: 10px 0;"><b>Part IIA Quarterly 17a-5(a)</b></p> <p style="margin: 0;">INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17</p>
-------------------------	---

**COVER**

Select a filing method:

Basic  Alternate  [0011]

Name of Broker Dealer: KRAMER SECURITIES CORPORATION [0013] SEC File Number: 8- 15469 [0014]  
 Address of Principal Place of Business: 7120 S.W. 95 STREET [0020]  
MIAMI FL 33156 [0021] [0022] [0023] Firm ID: 2474 [0015]

For Period Beginning 01/01/2002 [0024] And Ending 12/31/2002 [0025]

Name and telephone number of person to contact in regard to this report:

Name: ALBERT KRAMER, PRESIDENT [0030] Phone: 305 667-9922 [0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: \_\_\_\_\_ [0032] Phone: \_\_\_\_\_ [0033]  
 Name: \_\_\_\_\_ [0034] Phone: \_\_\_\_\_ [0035]  
 Name: \_\_\_\_\_ [0036] Phone: \_\_\_\_\_ [0037]  
 Name: \_\_\_\_\_ [0038] Phone: \_\_\_\_\_ [0039]

Does respondent carry its own customer accounts? Yes  [0040] No  [0041]

Check here if respondent is filing an audited report  [0042]

**ASSETS**

Consolidated  [0198] Unconsolidated  [0199]

	Allowable	Non-Allowable	Total
1. Cash	<u>115,572</u> [0200]		<u>115,572</u> [0750]
2. Receivables from brokers or dealers:			
A. Clearance account	<u>2,835</u> [0295]		
B. Other	<u>2,941</u> [0300]	<u>          </u> [0550]	<u>5,776</u> [0810]

3.	Receivables from non-customers			0
		[0355]	[0600]	[0830]
4.	Securities and spot commodities owned, at market value:			
	A. Exempted securities	[0418]		
	B. Debt securities	[0419]		
	C. Options	[0420]		
	D. Other securities	37		
		[0424]		
	E. Spot commodities			37
		[0430]		[0850]
5.	Securities and/or other investments not readily marketable:			
	A. At cost			
		3,300		
		[0130]		
	B. At estimated fair value		3,300	3,300
		[0440]	[0610]	[0860]
6.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			0
		[0460]	[0630]	[0880]
	A. Exempted securities			
		[0150]		
	B. Other securities			
		[0160]		
7.	Secured demand notes market value of collateral:			0
		[0470]	[0640]	[0890]
	A. Exempted securities			
		[0170]		
	B. Other securities			
		[0180]		
8.	Memberships in exchanges:			
	A. Owned, at market			
		[0190]		
	B. Owned, at cost		[0650]	
	C. Contributed for use of the company, at market value		[0660]	0
				[0900]
9.	Investment in and receivables from affiliates, subsidiaries and associated partnerships	[0480]	[0670]	0
				[0910]

10.	Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	[0490]	728 [0680]	728 [0920]
11.	Other assets	[0535]	10 [0735]	10 [0930]
12.	TOTAL ASSETS	121,385 [0540]	4,038 [0740]	125,423 [0940]

**LIABILITIES AND OWNERSHIP EQUITY**

	Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13.	Bank loans payable	[1045]	[1255]	0 [1470]
14.	Payable to brokers or dealers:			
	A. Clearance account	[1114]	[1315]	0 [1560]
	B. Other	[1115]	[1305]	0 [1540]
15.	Payable to non-customers	[1155]	[1355]	0 [1610]
16.	Securities sold not yet purchased, at market value		[1360]	0 [1620]
17.	Accounts payable, accrued liabilities, expenses and other	764 [1205]	[1385]	764 [1685]
18.	Notes and mortgages payable:			
	A. Unsecured	[1210]		0 [1690]
	B. Secured	[1211]	[1390]	0 [1700]
19.	Liabilities subordinated to claims of general creditors:			
	A. Cash borrowings:			
	1. from outsiders	[0970]	[1400]	0 [1710]
	2. Includes equity subordination (15c3-1(d)) of	[0980]		
	B. Securities borrowings, at market value:			
	from outsiders		[1410]	0 [1720]
	C. Pursuant to secured demand note collateral agreements:			
	1. from outsiders		[1420]	0 [1730]

	[1000]		
2.	Includes equity subordination (15c3-1(d)) of		
	[1010]		
D.	Exchange memberships contributed for use of company, at market value		0
		[1430]	[1740]
E.	Accounts and other borrowings not qualified for net capital purposes		0
		[1220]	[1750]
20.	TOTAL LIABILITIES	764	764
		[1230]	[1760]

**Ownership Equity**

		<b>Total</b>
21.	Sole proprietorship	[1770]
22.	Partnership (limited partners [1020])	[1780]
23.	Corporations:	
A.	Preferred stock	[1791]
B.	Common stock	7,500
		[1792]
C.	Additional paid-in capital	8,592
		[1793]
D.	Retained earnings	108,567
		[1794]
E.	Total	124,659
		[1795]
F.	Less capital stock in treasury	[1796]
24.	TOTAL OWNERSHIP EQUITY	124,659
		[1800]
25.	TOTAL LIABILITIES AND OWNERSHIP EQUITY	125,423
		[1810]

**STATEMENT OF INCOME (LOSS)**

Period Beginning 01/01/2002      Period Ending 12/31/2002      Number of months 12  
 [3932]      [3933]      [3931]

**REVENUE**

1.	Commissions:	
a.	Commissions on transactions in exchange listed equity securities executed on an exchange	[3935]

b.	Commissions on listed option transactions	5,044
		[3938]
c.	All other securities commissions	42,092
		[3939]
d.	Total securities commissions	47,136
		[3940]
2.	Gains or losses on firm securities trading accounts	
a.	From market making in options on a national securities exchange	[3945]
b.	From all other trading	[3949]
c.	Total gain (loss)	0
		[3950]
3.	Gains or losses on firm securities investment accounts	[3952]
4.	Profit (loss) from underwriting and selling groups	[3955]
5.	Revenue from sale of investment company shares	20,759
		[3970]
6.	Commodities revenue	[3990]
7.	Fees for account supervision, investment advisory and administrative services	[3975]
8.	Other revenue	1,424
		[3995]
9.	Total revenue	69,319
		[4030]

**EXPENSES**

10.	Salaries and other employment costs for general partners and voting stockholder officers	27,725
		[4120]
11.	Other employee compensation and benefits	[4115]
12.	Commissions paid to other broker-dealers	[4140]
13.	Interest expense	[4075]
a.	Includes interest on accounts subject to subordination agreements	[4070]
14.	Regulatory fees and expenses	2,194
		[4195]
15.	Other expenses	39,539
		[4100]
16.	Total expenses	69,458
		[4200]

**NET INCOME**

17.	Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16)	-139
		[4210]
18.	Provision for Federal Income taxes (for parent only)	[4220]
19.	Equity in earnings (losses) of unconsolidated subsidiaries not included above	[4222]
a.	After Federal income taxes of	[4238]
20.	Extraordinary gains (losses)	[4224]
a.	After Federal income taxes of	[4239]



6.	Deductions and/or charges:			
A.	Total nonallowable assets from Statement of Financial Condition (Notes B and C)	4,038	[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]	-4,038
				[3620]
7.	Other additions and/or credits (List)			
		[3630A]	[3630B]	
		[3630C]	[3630D]	
		[3630E]	[3630F]	0
				[3630]
8.	Net capital before haircuts on securities positions			120,621
				[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		[3735]	
2.	Debt securities		[3733]	
3.	Options		[3730]	
4.	Other securities		1	
			[3734]	
D.	Undue Concentration		[3650]	
E.	Other (List)			
		[3736A]	[3736B]	
		[3736C]	[3736D]	
		[3736E]	[3736F]	
			0	
			[3736]	-1
				[3740]
10.	Net Capital			120,620
				[3750]

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Part A

11.	Minimum net capital required (6-2/3% of line 19)	50
		[3756]
12.	Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u>	25,000
		[3758]
13.	Net capital requirement (greater of line 11 or 12)	25,000
		[3760]
14.	Excess net capital (line 10 less 13)	95,620
		[3770]
15.	Excess net capital at 1000% (line 10 less 10% of line 19)	120,543
		[3780]

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16.	Total A.I. liabilities from Statement of Financial Condition	764
		[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)	
	[3820A]	[3820B]
	[3820C]	[3820D]
	[3820E]	[3820F]
		0
		[3820]
19.	Total aggregate indebtedness	764
		[3840]
20.	Percentage of aggregate indebtedness to net capital (line 19 / line 10)	%
		1
		[3850]

**OTHER RATIOS**

21.	Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%
		0
		[3860]

**SCHEDULED WITHDRAWALS**

**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.**

<u>Type of Proposed Withdrawal or Accrual</u>	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
[4600]	_____	[4602]	_____	_____	[4605]
	[4601]		[4603]	[4604]	
[4610]	_____	[4612]	_____	_____	[4615]
	[4611]		[4613]	[4614]	
[4620]	_____	[4622]	_____	_____	[4625]
	[4621]		[4623]	[4624]	
[4630]	_____	[4632]	_____	_____	[4635]
	[4631]		[4633]	[4634]	
[4640]	_____	[4642]	_____	_____	[4645]
	[4641]		[4643]	[4644]	
[4650]	_____	[4652]	_____	_____	[4655]
	[4651]		[4653]	[4654]	
[4660]	_____	[4662]	_____	_____	[4665]
	[4661]		[4663]	[4664]	
[4670]	_____	[4672]	_____	_____	[4675]
	[4671]		[4673]	[4674]	
[4680]	_____	[4682]	_____	_____	[4685]
	[4681]		[4683]	[4684]	
[4690]	_____	[4692]	_____	_____	[4695]
	[4691]		[4693]	[4694]	
TOTAL \$			0		
			[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

**STATEMENT OF CHANGES**

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

1.	Balance, beginning of period		141,798
			[4240]
	A. Net income (loss)		-139
			[4250]
	B. Additions (includes non-conforming capital of	_____	
		[4262] )	[4260]
	C. Deductions (includes non-conforming capital of	_____	
		[4272] )	-17,000
			[4270]
2.	Balance, end of period (From item 1800)		124,659
			[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)		0
			[4330]

**KRAMER SECURITIES CORPORATION**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	Common stock Shares	Common stock Amount	Additional paid-in capital	Retained earnings	Total
Balance, January 1, 2002	7,500	\$ 7,500	\$ 8,592	\$ 125,706	\$ 141,798
Distributions to shareholders	-	-	-	(17,000)	(17,000)
Net income	-	-	-	(139)	(139)
Balance, December 31, 2002	<u>7,500</u>	<u>\$ 7,500</u>	<u>\$ 8,592</u>	<u>\$ 108,567</u>	<u>\$ 124,659</u>

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

**KRAMER SECURITIES CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

Cash flows from operating activities:	
Net income	\$ (139)
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Depreciation	656
Decrease in accounts receivable	5,820
Decrease in accounts payable	<u>(63)</u>
Net cash provided by operating activities	<u>6,274</u>
Cash flows from financing activities:	
Distributions to stockholders	<u>(17,000)</u>
Net cash used in financing activities	<u>(17,000)</u>
Net decrease in cash and cash equivalents	(10,726)
Cash and cash equivalents, beginning of the year	<u>126,335</u>
Cash and cash equivalents, end of the year	<u><u>\$ 115,609</u></u>
Supplemental information:	
Cash paid for interest during the year	<u><u>\$ -</u></u>
Cash paid for income taxes during the year	<u><u>\$ -</u></u>

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

**KRAMER SECURITIES CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**1. BUSINESS**

Kramer Securities Corporation (the "Company") was incorporated in Florida on April 15, 1969. The Company is a fully disclosed, introducing NASD broker-dealer transacting business in stocks, mutual funds and direct participation programs. The Company maintains its records in conformity with the requirements of the Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers, Inc. ("NASD"). The Company office is located in Miami, Florida.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Cash and cash equivalents* – The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purposes of the statement of cash flows.

*Receivables from broker dealers* – Receivables from broker dealers are for commissions and dealer discounts. No allowance for doubtful collections has been recorded and bad debt is recorded when determinable.

*Property and equipment* – Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. When equipment is disposed of, the cost and accumulated depreciation are written off at the time of disposal.

*Investments* – Investments consist of warrants acquired during April 2000, and are stated at cost, which is the same as the estimated net realizable value. There is no market for these securities at this time.

*Revenue recognition* – Commission revenue and expense associated with transactions in securities, mutual funds and other products are recorded on a trade date basis.

*Income taxes* – The Company, with the consent of its stockholder, elected to be an S Corporation under the Internal Revenue Code. All taxable income or loss flows through to the stockholder. Accordingly, no income tax expense or liability is recorded in the accompanying financial statements.

*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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KRAMER SECURITIES CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002(CONTINUED)**

**3. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2002 consisted of the following:

Furniture and equipment	\$ 8,864
Less: accumulated depreciation	<u>(8,136)</u>
	<u>\$ 728</u>

Depreciation expense for the year ended December 31, 2002 was \$656.

**4. RELATED PARTY TRANSACTION AND LEASE COMMITMENT**

The Company leases office space from its stockholder on a month-to-month basis, at \$700 per month. Rent expense for the year ended December 31, 2002, was \$8,400.

**5. NET CAPITAL PROVISION OF RULE 15c3-1**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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 1500%. At December 31, 2002, the Company had net capital of \$120,543, which was \$95,620 in excess of its required net capital of \$25,000. The Company's ratio of aggregate indebtedness to net capital is 1%.

**KRAMER SECURITIES CORPORATION  
SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5  
OF THE SECURITIES AND EXCHANGE COMMISSION  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**I. EXEMPTION PURSUANT TO RULE 15c3-3**

Kramer Securities Corporation operates pursuant to the (k)(2)(ii) exemption under SEC Rule 15c3-3 and does not hold funds or securities. The Company is, therefore, exempt from the reserve formula calculations and possession and control computations.

**II. LIABILITIES SUBORDINATED TO CLAIMS OF CREDITORS**

During the year ended December 31, 2002, the Company had no liabilities subordinated to the claims of general creditors.

**III. RECONCILIATION OF THE COMPUTATION OF NET CAPITAL UNDER  
RULE 15c3-1**

Pursuant to Rule 17a5(d)(4), there were no material differences in the computation of net capital in the Company's audited annual FOCUS report for the year ended December 31, 2002, and the computation of net capital contained in the Company's corresponding unaudited Form X-17a-5 Part II filing for the quarter ended December 31, 2002.



Sweeney, Gates & Co.  
Certified Public Accountants and Consultants

**REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5 FOR A  
BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Board of Directors  
Kramer Securities Corporation

In planning and performing our audit of the financial statements of Kramer Securities Corporation (the "Company") for the year ended December 31, 2002, we considered its internal control structure, including procedures 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 structure.

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

1. making the 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 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 Commission'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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Letter to Board of Directors  
February 19, 2003  
Page 2

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.

Our 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, we noted no matters involving the internal control structure, 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 Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and the 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 December 31, 2002, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, and other regulatory agencies which 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 purpose.

*Sweeney, Hite + Co.*

February 19, 2003