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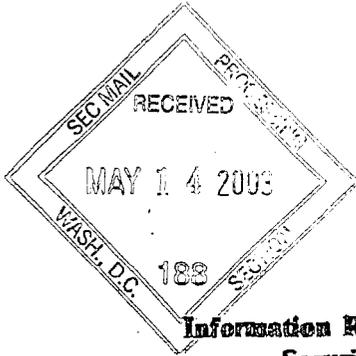
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
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8- 47180



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

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 1/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

ANDREW GARRETT INC

OFFICIAL USE ONLY
FIRM ID. NO.

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

1520 E. PRIMROSE, STE. 200

(No. and Street)

SPRINGFIELD

MISSOURI

65804

(City)

(State)

(Zip Code)

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

JOHN MCHOUL JR.

212-682-8833

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

LIEBMAN, GOLDBERG & DROGIN LLP

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

591 STEWART AVENUE SUITE 450 GARDEN CITY, NY 11530.

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

JUN 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).

SEC 1410 (3-91)

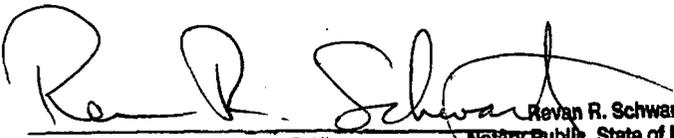
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, ANDREW SYCOFF, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ANDREW GARRETT, INC., 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



Notary Public
Revan R. Schwartz
Notary Public, State of New York
No. 01SC8876850
Qualified in Queens County
Commission Expires Nov. 30, 2006

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).

ANDREW GARRETT, INC.

**FINANCIAL STATEMENTS
AND SCHEDULES**

FOR THE YEAR ENDED DECEMBER 31, 2002

with

**INDEPENDENT AUDITORS' REPORT AND
REPORT ON INTERNAL CONTROL**

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

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

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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 1/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

ANDREW GARRETT, INC.

OFFICIAL USE ONLY
FIRM ID. NO.

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

425 PARK AVENUE

NEW YORK NEW YORK 10022
(City) (State) (Zip Code)

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

JOHN MCHOUL JR. 212-682-8833

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

LIEBMAN, GOLDBERG & DROGIN LLP

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

591 STEWART AVENUE SUITE 450 GARDEN CITY, NY 11530

(Address) (City) (State) (Zip Code)

CHECK ONE:

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

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).

OATH OR AFFIRMATION

I, Andrew Sycoff, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Andrew Garrett, Inc., 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:

Andrew Sycoff
Signature
President
Title

Ryan R. Schwartz
Notary Public

Ryan R. Schwartz
Notary Public, State of New York
No. 01SC8876850
Qualified in Queens County
Commission Expires Nov. 30, 2006

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 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 solidation.
- (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 a

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ANDREW GARRETT, INC.

For the year ended December 31, 2002

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Reconciliation of the computation of net capital under rule 15c3-1	14

LIEBMAN GOLDBERG & DROGIN LLP

Certified Public Accountants

591 Stewart Avenue, Suite 450
Garden City, New York 11530

Tel (516) 228-6600

Fax (516) 228-6664

Independent Auditors' Report

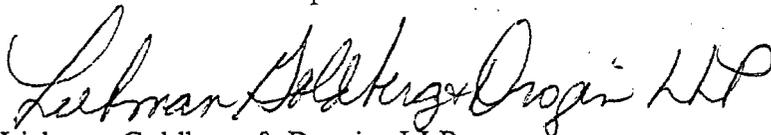
Board of Directors
Andrew Garrett, Inc.

We have audited the accompanying statement of financial condition of Andrew Garrett, Inc. as of December 31, 2002, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Andrew Garrett, Inc. as of December 31, 2002 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 12-14 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by rule 17a-5 of the Securities and 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.



Liebman Goldberg & Drogin, LLP
Garden City, New York

February 14, 2003

ANDREW GARRETT, INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2002

ASSETS

	<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>
Cash in bank	\$ 3,599	\$ -	\$ 3,599
Receivables from broker dealers and clearing organizations	535,462	-	535,462
Deposit with clearing organization	132,625	-	132,625
Securities owned at market value	198,189	-	198,189
Investment in subsidiary	-	500,000	500,000
Property and equipment, net	-	307,069	307,069
Deposits and prepaid expenses	-	64,547	64,547
Other receivables	-	52,073	52,073
Deferred tax asset	-	88,336	88,336
	<u>\$ 869,875</u>	<u>\$ 1,012,025</u>	<u>\$ 1,881,900</u>
Total assets			

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>Aggregate Indebtedness Liabilities</u>	<u>Nonaggregate Indebtedness Liabilities</u>	<u>Total</u>
Liabilities:			
Accrued commissions and payroll payable	\$ 133,963	\$ -	\$ 133,963
Accounts payable, taxes and accrued expenses payable	552,056	-	552,056
Subordinated loan payable	-	160,200	160,200
	<u>\$ 686,019</u>	<u>\$ 160,200</u>	<u>\$ 846,219</u>
Total liabilities			

Commitments and Contingencies

Stockholders' Equity:

Common stock - no par value; voting; 1,000 shares issued and outstanding	445,336
Additional paid-in capital	3,586,394
Deficit	<u>(2,996,049)</u>

Total stockholders' equity 1,035,681

Total liabilities and stockholders' equity \$ 1,881,900

The accompanying notes are an integral part of these statements

ANDREW GARRETT, INC.

STATEMENT OF OPERATIONS

For the year ended December 31, 2002

Revenues:

Commission income	\$ 1,976,703	
Trading and investment losses	(8,232)	
Interest, and other income	<u>1,377,813</u>	
Total revenues		\$ 3,346,284

Expenses:

Commissions	\$ 1,194,034	
Salaries and related payroll taxes	867,911	
Professional fees	30,154	
Occupancy and equipment rental	337,557	
Travel and entertainment	70,017	
Telephone	178,158	
Dues and regulatory expenses	145,790	
Other administrative expenses	158,397	
Clearance and execution costs	110,848	
Marketing and advertising	107,713	
Office expense and postage	268,066	
Insurance	20,636	
Interest expense	30,121	
Depreciation and amortization	<u>51,873</u>	
Total expenses		<u>3,571,275</u>

Loss before provision for income taxes	(224,991)	
Benefit for income taxes	<u>(80,812)</u>	
Net Loss		<u>\$ (144,179)</u>

The accompanying notes are an integral part of these statements

ANDREW GARRETT, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the year ended December 31, 2002

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Additional paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Balance January 1, 2002	1,000	\$ 2,500	\$ 1,029,387	\$ (68,314)	\$ 963,573
Transfer per merger	-	442,836	2,445,453	(2,783,556)	104,733
Cash contributions	-	-	111,554	-	111,554
Net Loss	-	-	-	(144,179)	(144,179)
Balance December 31, 2002	<u>1,000</u>	<u>\$ 445,336</u>	<u>\$ 3,586,394</u>	<u>\$ (2,996,049)</u>	<u>\$ 1,035,681</u>

The accompanying notes are an integral part of these statements

ANDREW GARRETT, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2002

Cash flows from operating activities:

Net loss	<u>\$ (144,179)</u>
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and amortization	51,873
Net affect of merger	(138,464)
(Increase) decrease in Operating Assets:	
Receivables from brokers and dealers	(503,093)
Deposits with clearing organization	(97,625)
Securities owned at market value	(103,652)
Deposits and prepaid expenses	(5,921)
Other assets	185,102
Deferred tax asset	(88,336)
Increase (decrease) in Operating Liabilities:	
Aggregate indebtedness	618,572
Subordinated loan payable	<u>160,200</u>
Total adjustments	<u>78,656</u>
Net cash (used in) operating activities	<u>(65,523)</u>

Cash flows from investing activities:

Purchase of fixed assets	<u>(42,861)</u>
Net cash (used in) investing activities	<u>(42,861)</u>

Cash flows from financing activities:

Contributed capital-shareholder	<u>111,554</u>
Net cash provided by financing activities	<u>111,554</u>

Net increase in cash	3,170
Cash - beginning of year	<u>429</u>
Cash - end of year	<u>\$ 3,599</u>

Supplemental disclosures:

Income taxes paid	<u>\$ 7,524</u>
Interest paid	<u>\$ 30,121</u>
Net property and equipment merged	<u>\$ 243,197</u>
Net equity merged	<u>\$ 104,733</u>

The accompanying notes are an integral part of these statements

ANDREW GARRETT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

Note 1 - Organization:

Andrew Garrett, Inc. (Company) formerly known as Midwest Discount Brokers, Inc., was incorporated in the State of Missouri on March 18, 1992. The Company is a broker-dealer, registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. The Company began operating as an introducing broker-dealer in July 1992. The Company does not hold funds or securities for, or owes any money or securities to customers and does not maintain accounts of, or for, customers. The agreement with the clearing broker requires the Company to assume the credit risk associated with customer transactions.

In November 2001, the Company merged with Andrew Garrett Acquisition Corporation. Andrew Garrett Acquisition Corporation, a Delaware Corporation, and affiliate of Andrew Garrett Holding Corporation D/B/A Andrew Garrett, Inc. of New York, was formed for the sole purpose of acquiring all of the outstanding common stock of the existing Midwest Discount Brokers, Inc. Immediately subsequent to the acquisition of the stock of Midwest Discount Brokers, Inc., the two Corporations completed a merger of the two existing Corporations. At the time of the merger, Andrew Garrett Acquisition Corporation had no assets or liabilities; all assets having been expended in the stock acquisition and no liabilities incurred in said stock acquisition.

Upon completion of the merger the surviving entity cancelled all of the prior outstanding stock certificates; changed the authorized share of common stock from the prior authorized common stock to 1,000 shares of no par value stock and issued the new 1,000 shares. The surviving entity changed its corporate name from "Midwest Discount Brokers, Inc." to "Andrew Garrett Inc." and filed the election with the Secretary of State for the Company to operate under the name "Midwest Discount Brokers Inc." to facilitate the continuing operations with customers and suppliers.

Note 2 - Significant Accounting Policies:

Nature of Business:

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions, investment banking, investment advisory, and venture capital businesses.

Securities Transactions:

Securities transactions (and related commission revenues and expenses) are recorded on a settlement date basis; revenues and expenses would not be materially different if reported on a trade date basis.

ANDREW GARRETT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

Note 2 - Significant Accounting Policies (Continued):

Market Value of Securities:

Securities owned are stated at quoted market values with the resulting unrealized gains and losses reflected in the statement of income. Securities not readily marketable are valued at fair value as determined by management.

Investment Banking:

Investment banking fee income represents fees earned from providing merger and acquisition, financial restructuring advisory services, and acting as sales agent for issuing company's securities.

Furniture, Equipment and Leasehold Improvements:

Property and equipment are reflected at cost. For financial reporting purposes, depreciation is computed using the straight-line method over the useful life of the asset while for income tax reporting, depreciation is computed using the Modified Accelerated Cost System (MACRS) over the statutorily prescribed recovery periods.

Maintenance and repairs, which neither materially add to nor appreciably prolong the life of the property are charged to expense as they are incurred. Gains in losses on dispositions of property and equipment, as applicable, are included in income or expense.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure 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.

Fair Value of Financial Instruments:

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. The carrying value of cash approximates fair value.

ANDREW GARRETT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

Note 2 - Significant Accounting Policies (Continued):

Concentration of Credit Risk:

Financial instruments, which potentially expose the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. The Company maintains some of its cash balances in accounts, which exceed federally insured limits. It has not experienced any losses to date resulting from this policy.

Recent Accounting Requirements:

The Company has not completed its evaluation of the adoption of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." However, management believes any such effect will not be material. Adoption of this pronouncement is effective for fiscal years beginning after December 15, 1995.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" ("SFAS No. 143", and in August 2001 issued Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment and disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 144, which supersedes and amends certain existing accounting and reporting pronouncements, addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002 and SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001. The adoption of SFAS 143 and 144 and its application to amounts currently included in the Corporation's balance sheet will no have a material impact on the Corporation's accounting and disclosures.

Note 3 - Receivable from and Deposit with Clearing Organization:

The Company clears certain of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis. The receivables from broker dealers and clearing organizations represents primarily cash held by the clearing organizations for commissions generated in December 2002 and received in January 2003. The deposit with the clearing organizations is required by the clearing agreement.

As stated in Note 2, the Company records securities transactions on a settlement date basis. Further, the Company has agreed to indemnify its clearing organization for losses that the clearing organization may sustain from the customer accounts introduced by the Company.

Should a customer not fulfill his obligation on a trade date transaction through December 31, 2002, the Company may be required to buy or sell securities at prevailing market prices in the future on behalf of their customers. Subsequent to the balance sheet date, all unsettled trades at December 31, 2002 settled with no resulting liability to the Company.

ANDREW GARRETT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

Note 3 - Receivable from and Deposit with Clearing Organization (Continued):

The Company is engaged in various trading and brokerage activities whose counter parties include broker-dealers, banks, and other financial institutions. In the event counter parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter party with which it conducts business.

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2002 consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Payable to clearing broker	\$ 0	\$ 0
Receivable from clearing organizations	535,462	0
Fees and commissions receivable/payable	<u>0</u>	<u>0</u>
	<u>\$ 535,462</u>	<u>\$ 0</u>

Note 4 - Furniture, Equipment and Leasehold Improvements:

Furniture, equipment and leasehold improvements consists of the following:

		<u>Years</u>
Furniture and equipment	\$429,260	5 - 7
Leasehold improvements	<u>272,853</u>	36
Total	702,112	
Less: accumulated depreciation and amortization	<u>395,043</u>	
	<u>\$307,069</u>	

Depreciation and amortization expense for the year ended December 31, 2002 amounted to \$51,873.

Note 5 - Investment in Subsidiary:

The Company has a majority interest through Andrew Garrett Holding Corp in BrokerageAmerica, Inc., which operates a wholesale trading and market making Company. The investment is stated at cost.

Note 6 - Related Party Transactions:

During 2001, the company entered into an Expense Allocation Agreement with one of its stockholders, BrokerageAmerica LLC. Under the agreement, each of the parties desires to receive certain administrative and other services from the other party in exchange for compensation set forth in the Expenses Allocation Agreement.

ANDREW GARRETT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

Note 7 - Income Taxes:

The benefit for income taxes is as follows:

	<u>For the year ended December 31, 2002</u>
Income taxes (benefits):	
Current tax benefits:	
Federal	\$(74,274)
State	(16,538)
Deferred taxes:	
Federal	\$(74,274)
State	(14,062)
	<u>\$(88,336)</u>

The effective tax rate is 34% for Federal income tax and 6.25% for State income tax.

Pursuant to SFAS No. 109, deferred income taxes (benefits) have been provided and relates to the company's net operating loss. Deferred tax expense or benefit is the change in the computed tax asset or liability balance.

Note 8 - Securities Owned, and Sold, Not Yet Purchased:

Marketable securities owned, and sold, not yet purchased, consist of trading and investment securities at market values, as follows:

	<u>Owned</u>	<u>Sold, Not Yet Purchased</u>
Corporate stocks	\$198,189	\$ 0
Options	<u>0</u>	<u>0</u>
	<u>\$198,189</u>	<u>\$ 0</u>

Securities not readily marketable include investment securities (a) for which there is no market on a securities exchange or no independent publicly quoted market, (b) that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, or (c) that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company.

Note 9 - Net Capital Requirement:

The Company is subject to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined. The Company has elected to use the basic method permitted by the rules, which require the Company to maintain minimum net capital equal to the greater of \$50,000 or 6 2/3% of aggregate indebtedness (as defined). As of December 31, 2002, the Company's regulatory net capital was \$127,186, which was \$27,186 in excess of the minimum required.

ANDREW GARRETT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

Note 10- Commitments and Contingencies:

As of December 31, 2002, the Company had future minimum annual lease obligations as follows:

<u>Year</u>	<u>Amount</u>
2003	\$215,590
2004	168,306
2005 – 2007	<u>157,462</u>
	<u>\$541,358</u>

Note 11- Subordinated Loans:

In 1995, the Company entered into a subordinated loan agreement with Rosa Lee Strain in the amount of \$160,200 with an interest rate of 16.8%. Interest is to be paid monthly. The note matured on August 1, 2002. It was renewed at 12% maturing March 1, 2003.

The National Association of Securities Dealers, Inc. (Association) found the above referenced Agreement to be acceptable as a satisfactory subordination agreement effective as of August 1, 1995.

Appendix D of SEC Rule 15c3-1 requires the prior written approval of the Association before any repayment of a subordination agreement can be made. Accordingly, unsecured advances to the lender during the term of the Agreement are not permitted, since such advances would constitute unauthorized prepayments. All unauthorized prepayment matters are presented to the District Business Conduct committee for disciplinary review.

Supplemental Information

ANDREW GARRETT, INC.

COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS

For the year ended December 31, 2002

Net Capital

Total ownership equity from statement of financial condition	\$ 1,035,681
Add liabilities subordinated to claims of general creditors allowable in computation of net capital	<u>160,200</u>
Total capital	1,195,881
Deductions and/or charges	
a) total non-allowable assets from statement of financial condition	<u>1,012,025</u>
Net capital before adjustments for haircuts on securities positions and undue concentration.	<u>183,856</u>
Adjustments:	
Haircut on securities	(29,728)
Undue concentration	<u>(26,942)</u>
Total adjustments	<u>(56,670)</u>
Net capital	<u>\$ 127,186</u>
Minimum net capital	<u>\$ 100,000</u>
Excess net capital	<u>\$ 27,186</u>
Aggregate indebtedness	<u>\$ 686,019</u>
Percentage of aggregate indebtedness to net capital (686,019 ÷ 127,186)	<u>539.4%</u>

The accompanying notes are an integral part of these statements

ANDREW GARRETT, INC.

COMPUTATION OF DETERMINATION OF RESERVE

REQUIREMENTS PURSUANT TO RULE 15C3-3

DECEMBER 31, 2002

The Company has claimed exemption from Rule 15c3-3 based on the fact that all customer transactions are cleared through another broker dealer on a fully disclosed basis. In the opinion of the management of Andrew Garrett, Inc., the conditions of the Company's exemption from rule 15c3-3 were complied with throughout the year ended December 31, 2002.

ANDREW GARRETT, INC.

RECONCILIATION OF THE COMPUTATION OF NET CAPITAL

UNDER RULE 15C3-1 BETWEEN THE UNAUDITED

FOCUS REPORT AND THE AUDITED FOCUS REPORT

For the year ended December 31, 2002

Net capital per audited focus report	\$ 127,186
Net capital per unaudited focus report	<u>216,618</u>
Difference to be reconciled	<u>\$ (89,432)</u>
Additional year end expenses	\$ (88,085)
Difference in haircut and undue concentration	<u>(1,347)</u>
	<u>\$ (89,432)</u>