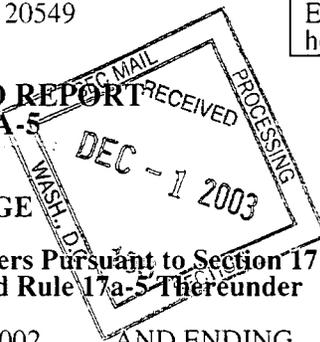




03041612

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



SEC FILE NUMBER
8-22871

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 October 1, 2002 AND ENDING September 30, 2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

Reynders, Gray & Co., Incorporated

OFFICIAL USE ONLY
FIRM ID. NO.

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

530 Fifth Avenue, 2nd Floor

(No. and Street)

New York
(City)

NY
(State)

10036
(Zip Code)

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

Charlton Reynders, Jr.

(212) 944-5700
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP

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

Two World Financial Center New York
(Address) (City)

NY
(State)

10281
(Zip Code)

CHECK ONE:

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

PROCESSED
JAN 07 2004

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).

081-5

REYNDERS, GRAY & CO., INCORPORATED

TABLE OF CONTENTS

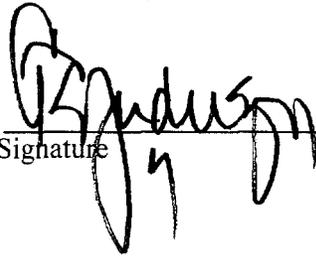
This report contains (check all applicable boxes):

Page

	Independent Auditors' Report	
<input checked="" type="checkbox"/>	(a) Facing page.	
<input checked="" type="checkbox"/>	(b) Statement of Financial Condition.	3
<input checked="" type="checkbox"/>	(c) Statement of Loss	4
<input checked="" type="checkbox"/>	(d) Statement of Cash Flows.	5
<input checked="" type="checkbox"/>	(e) Statement of Changes in Shareholders' Interest.	6
<input checked="" type="checkbox"/>	(f) Statement of Changes in Subordinated Liabilities (included in item e). Notes to Financial Statements.	7-10
<input checked="" type="checkbox"/>	(g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.	11
<input checked="" type="checkbox"/>	(h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.	12
<input checked="" type="checkbox"/>	(i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.	13
<input checked="" type="checkbox"/>	(j) A Reconciliation, including appropriate explanations, of the Computation of Net Capital pursuant to Rule 15c3-1 (Included with item (g)) and the Computation for Determination of Reserve Requirements Under Rule 15c3-3 (Not Applicable).	
<input type="checkbox"/>	(k) A Reconciliation Between the Audited and Unaudited Statements of Financial Condition With Respect to Methods of Consolidation (Not Applicable).	
<input checked="" type="checkbox"/>	(l) An Affirmation.	
<input type="checkbox"/>	(m) A copy of the SIPC Supplemental Report (Not Required).	
<input checked="" type="checkbox"/>	(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).	

AFFIRMATION

We, Charlton Reynders, Jr. and Susan M. Bremer affirm that, to the best of our knowledge and belief, the accompanying financial statements and supporting supplemental schedules pertaining to Reynders, Gray & Co., Incorporated for the year ended September 30, 2003, are true and correct in all material respects, and such financial statements and supplemental schedules will be made available promptly to all members and allied members of The New York Stock Exchange, Inc. in our organization. We further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.


Signature _____ November 14, 2003
Date

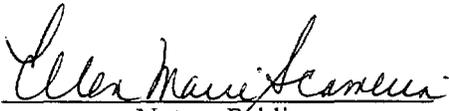
Chairman of the Board
Title


Signature _____ November 14, 2003
Date

Senior Vice President & Chief Financial Officer
Title

Subscribed and sworn to before me,

this 14th day of November 2003


Notary Public

ELLEN MARIE SCAMBIA
Notary Public, State of New York
No. 01SC4912989
Qualified in Westchester County
Commission Expires November 23, 2005

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Reynders, Gray & Co., Incorporated

We have audited the following financial statements of Reynders, Gray & Co., Incorporated (the "Company") for the year ended September 30, 2003, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934:

	Page
Statement of Financial Condition	3
Statement of Loss	4
Statement of Cash Flows	5
Statement of Changes in Subordinated Liabilities and Shareholders' Interest	6

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, such financial statements present fairly, in all material respects, the financial position of Reynders, Gray & Co., Incorporated at September 30, 2003, 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 following supplemental schedules of the Company as of September 30, 2003, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934:

	Page
Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 Under the Securities Exchange Act of 1934	11
Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934	12
Information Relating to Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934	13

These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte Touche LLP

November 14, 2003

REYNDERS, GRAY & CO., INCORPORATED

STATEMENT OF FINANCIAL CONDITION SEPTEMBER 30, 2003

ASSETS

CASH	\$ 379,827
CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS	931,958
RECEIVABLES FROM AND DEPOSITS WITH CLEARING BROKERS	1,677,197
RECEIVABLES FROM FLOOR BROKERS	168,693
SECURED DEMAND NOTES RECEIVABLE (Market value of collateral \$2,940,132)	675,000
PREPAID RESEARCH EXPENSES	303,169
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS - Net of accumulated depreciation of \$326,038	122,322
OTHER ASSETS	<u>113,849</u>
TOTAL ASSETS	<u>\$4,372,015</u>

LIABILITIES AND SHAREHOLDERS' INTEREST

LIABILITIES:	
Accrued research payables	\$ 966,254
Accounts payable and accrued expenses	376,274
Commissions payable	127,665
Payable to brokers and dealers	<u>130,510</u>
Total liabilities	<u>1,600,703</u>
SUBORDINATED LIABILITIES	<u>675,000</u>
SHAREHOLDERS' INTEREST:	
Common stock, no par, 200 shares authorized, 127 shares outstanding	127
Paid-in capital	1,161,752
Retained earnings	<u>2,151,283</u>
	3,313,162
Less receivable from Parent (Note 3)	<u>1,216,850</u>
Net shareholders' interest	<u>2,096,312</u>
TOTAL LIABILITIES AND SHAREHOLDERS' INTEREST	<u>\$4,372,015</u>

See notes to financial statements.

REYNDERS, GRAY & CO., INCORPORATED

STATEMENT OF LOSS YEAR ENDED SEPTEMBER 30, 2003

REVENUES:	
Commissions	\$ 15,973,524
Direct access and floor brokerage income	1,930,950
Interest	60,048
Other income	<u>86,975</u>
Total	<u>18,051,497</u>
EXPENSES:	
Employee compensation and benefits	6,741,142
Research	5,214,517
Clearing, floor brokerage and exchange fees	2,496,409
Advisory services	2,041,225
Communication and data processing	723,853
Office and equipment rental	557,683
Travel and entertainment	169,959
Interest	50,847
Other	<u>378,669</u>
Total	<u>18,374,304</u>
LOSS BEFORE INCOME TAXES	(322,807)
INCOME TAX BENEFIT	<u>80,000</u>
NET LOSS	<u>\$ (242,807)</u>

See notes to financial statements.

REYNDERS, GRAY & CO., INCORPORATED

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (242,807)
Noncash items included in net loss:	
Depreciation and amortization	39,279
(Increase) decrease in operating assets:	
Cash segregated under Federal and other regulations	554,847
Receivables from and deposits with clearing brokers	(357,079)
Prepaid research expenses	215,090
Other assets	(16,110)
Increase (decrease) in operating liabilities:	
Accrued research payables	(641,807)
Accounts payable and accrued expenses	(61,887)
Commissions payable	(6,316)
Payable to brokers and dealers	<u>63,452</u>
Net cash used in operating activities	<u>(453,338)</u>

CASH FLOWS FROM FINANCING ACTIVITIES -

Net increase in balance due from Parent	<u>(267,377)</u>
---	------------------

CASH FLOWS FROM INVESTING ACTIVITIES -

Purchase of equipment	<u>(39,027)</u>
-----------------------	-----------------

DECREASE IN CASH (759,742)

CASH, BEGINNING OF YEAR 1,139,569

CASH, END OF YEAR \$ 379,827

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid during the year ended September 30, 2002 was \$50,847.
Net income tax benefit of \$80,000 was settled with the Parent through the intercompany account.

See notes to financial statements.

REYNDERS, GRAY & CO., INCORPORATED

STATEMENT OF CHANGES IN SUBORDINATED LIABILITIES AND SHAREHOLDERS' INTEREST YEAR ENDED SEPTEMBER 30, 2003

	Subordinated Liabilities	Common Stock	Paid-in Capital	Retained Earnings	Receivable from Parent	Total Shareholders' Interest
BALANCE, OCTOBER 1, 2002	\$ 675,000	\$ 127	\$ 1,161,752	\$ 2,394,090	\$ (949,473)	\$ 2,606,496
Net loss	-	-	-	(242,807)	-	(242,807)
Increase in balance owed by Parent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(267,377)</u>	<u>(267,377)</u>
BALANCE, SEPTEMBER 30, 2003	<u>\$ 675,000</u>	<u>\$ 127</u>	<u>\$ 1,161,752</u>	<u>\$ 2,151,283</u>	<u>\$ (1,216,850)</u>	<u>\$ 2,096,312</u>

See notes to financial statements.

REYNDERS, GRAY & CO., INCORPORATED

NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2003

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reynders, Gray & Co., Incorporated (the "Company") is a 80% owned subsidiary of Reynders, Gray Holdings, Incorporated (the "Parent"). The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC"), and is a member of the New York Stock Exchange ("NYSE"), National Association of Securities Dealers ("NASD"), and the American Stock Exchange ("ASE"). The Company acts as a broker executing transactions for other securities firms and as an introducing broker forwarding transactions to another NYSE member firm on a fully disclosed basis.

Commission revenue and the related variable expenses of clearance and brokerage, production compensation, and soft dollar obligations are recorded on a trade-date basis.

Soft dollar arrangements are accounted for on an accrual basis in accordance with accounting principles generally accepted in the United States of America. Accrued liabilities pursuant to these arrangements are accounted for on a customer-by-customer basis and separately identified in the Statement of Financial Condition.

The Company has agreements with certain third-party advisors whereby the Company receives commission income from the clients who subscribe to the research services of these advisors. In accordance with these agreements, the Company pays a portion of the commissions earned to the advisors.

Proprietary securities transactions are recorded on trade date. Profit and loss arising from all securities entered into for the account and risk of the Company are recorded on a trade-date basis.

Furniture and equipment is recorded at cost and is depreciated on a straight-line basis using estimated useful lives of five to seven years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the lesser of the economic useful life of the improvement or the term of the lease.

The Company is included in the consolidated Federal and combined state and local tax returns filed by the Parent. The Parent uses the asset and liability method in providing for income taxes on all transactions that have been recognized in the financial statements. Pursuant to a tax sharing agreement, tax expense would be charged to the Company to the extent that it would report a profit. A benefit is allocated to the extent a loss would reduce the tax obligations of the consolidated group. It is the policy of the Parent to settle all tax balances with the Company.

The preparation of financial statements in accordance 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 the disclosure of contingent assets and liabilities at September 30, 2003 as well as the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates included in the financial statements.

Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*, requires the Company to report the fair value of financial instruments, as defined.

Substantially all of the Company's assets and liabilities are carried at fair value or amounts which approximate fair value.

2. CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

In connection with the Company's soft dollar arrangements, there are payables on behalf of unregistered investment advisors. Cash in the amount of \$931,958 has been segregated in a special reserve bank account for the exclusive benefit of these advisors' accounts under Securities and Exchange Commission Rule 15c3-3.

3. RELATED PARTIES

The Parent is owned equally by Charlton Reynders, Jr. and Robert D. Gray, the Chairman and President of the Company, respectively. The Parent owns 80% of the Company. The remaining 20% is owned by three key employees of the Company and one NYSE Approved Person.

The Parent provides the Company with management services for which the Company was charged \$78,000. The Company charged the Parent \$60,000 for the use of the Company's personnel. The net management fee of \$18,000 is included in other expenses.

The receivable from Parent in the Statement of Financial Condition represents the net balance due the Company as a result of various intercompany transactions and has been classified as a component of Shareholders' Interest.

Subordinated loans totaling \$675,000 are with related parties (Note 7). For the year ended September 30, 2003, interest expense of \$41,376 was recognized for these loans.

4. NET CAPITAL REQUIREMENTS

The Company is subject to the Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or 6 2/3% of aggregate indebtedness. At September 30, 2003, the Company had net capital of \$2,201,687 which was \$1,951,687 in excess of its required net capital of \$250,000. The Company's net capital ratio at September 30, 2003 was .73 to 1.

5. INCOME TAXES

Income taxes consist of a net Federal tax benefit of \$100,000 and state and local income tax expense of \$20,000. The difference between the Federal statutory tax rate of 34% and the effective tax rate is attributable principally to state and local taxes.

The income tax (benefit) expense consists of the following:

Current – Federal	\$ (124,000)
Current - state and local	<u>4,000</u>
Deferred - Federal	24,000
Deferred - state and local	<u>16,000</u>
Income Tax Benefit	<u>\$ (80,000)</u>

Deferred taxes relate to a reserve which was recognized in a prior year for book purposes.

6. COMMITMENTS AND CONTINGENCIES

The Parent provides the Company with its office space. Rent expense for the year ended September 30, 2003 was approximately \$298,046.

One employee of the Company has a lease agreement approved by the NYSE, whereby the employee leases a NYSE membership, on behalf of the Company, for successive one-year periods. At September 30, 2003, the annual rate for the seat was \$330,000. The lease is automatically renewable for an additional one-year period, unless either party notifies the other of its intention not to renew the lease. The lease can be terminated immediately upon the occurrence of certain events. Beginning in October of 2003, the Company will have two leases with total annual payments of \$410,000.

7. SUBORDINATED LIABILITIES

The Company's outstanding Equity Secured Demand Note Collateral Agreements with related parties, approved by the NYSE, consisted of the following at September 30, 2003:

Amount Outstanding	Interest Rate	Maturity
\$300,000	5%	November 30, 2003
125,000	5%	September 30, 2004
250,000	8%	October 31, 2004

These loans are available to the Company in computing its net capital pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934. All Equity Secured Demand Notes have Roll-over Agreements in place, under which the agreements are only cancelable with thirteen months prior written notification to the Company and the New York Stock Exchange. To the extent that such borrowings should be required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

The Company has the right to utilize the collateral, consisting of cash and marketable securities, to the extent of the amount of the secured demand note receivable, to obtain financing for its business. Such collateral is pledged and held at the Company's clearing broker.

8. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK

As a securities broker, the Company is engaged in various brokerage activities servicing a diverse group of domestic corporations, institutional and individual investors and other brokers and dealers. The Company executes these transactions and introduces them for clearance to another New York Stock Exchange member firm on a fully disclosed basis. The Company's exposure to credit risk associated with nonperformance of these customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair the customers' ability to satisfy their obligations.

The Company does not anticipate nonperformance by clients or counterparties in the above situations. The Company, through its clearing broker, seeks to control the aforementioned risk by requiring clients and counterparties to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company's clearing broker monitors required margin levels daily and pursuant to such guidelines requires the client or counterparty to deposit additional collateral, or reduce positions, when necessary. The Company's policy is to monitor its market exposure and counterparty risk. In addition,

the Company has a policy of reviewing, as considered necessary, the credit standing of each client and counterparty with which it conducts business.

Cash is on deposit with a money-center bank.

9. DEFINED CONTRIBUTION PLAN

The Company provides a 401(k) plan (the "Plan") for all full-time employees with at least six months of service. Employees may elect to invest from 1% to 11% of their gross pay, up to a maximum amount established by the Internal Revenue Service. The Company had matched the employees' contribution in full and the matched contribution vested immediately. The Company's contribution to the Plan was \$195,820 for the year ended September 30, 2003.

* * * * *

REYNDERS, GRAY & CO., INCORPORATED

COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND RECONCILIATION SEPTEMBER 30, 2003

Computation of Net Capital	Unaudited Amount Per Focus Report	Amount Pursuant to Annual Audited Report	Difference Increase (Decrease)	See Note
Shareholders' interest	\$3,313,162	\$ 2,096,312	\$ (1,216,850)	(a)
Additions to net worth:				
Subordinated liabilities	<u>675,000</u>	<u>675,000</u>	<u>-</u>	
Total shareholders' interest and additions to net worth	3,988,162	2,771,312	(1,216,850)	
Nonallowable assets:				
Furniture, equipment and leasehold improvements, prepaid research expenses and other assets	1,751,803	534,953	(1,216,850)	(a)
HAIRCUTS	<u>34,672</u>	<u>34,672</u>	<u>-</u>	
NET CAPITAL	<u>\$2,201,687</u>	<u>\$ 2,201,687</u>	<u>\$ -</u>	
Aggregate indebtedness	<u>\$ 1,600,703</u>	<u>\$ 1,600,703</u>	<u>\$ -</u>	
Minimum capital required (the greater of \$250,000 or 6 2/3% of aggregate indebtedness)	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>	
Capital in excess of minimum requirements	<u>\$ 1,951,687</u>	<u>\$ 1,951,687</u>	<u>\$ -</u>	
Ratio of aggregate indebtedness to net capital	<u>.73 to 1</u>	<u>.73 to 1</u>		

NOTE:

(a) The audit adjustment represents the reclassification of receivable from Parent.

REYNDERS, GRAY & CO., INCORPORATED

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934 SEPTEMBER 30, 2003

CREDIT BALANCES -	
Payable to unregistered investment advisors	\$ 510,762
TOTAL CREDITS	<u>510,762</u>
DEBIT BALANCES	
Less 3%	<u>-</u>
TOTAL RULE 15c3-3 DEBITS	<u>-</u>
RESERVE COMPUTATION:	
Excess of total credits over total debits	510,762
Amount held on deposit in Reserve Bank Account, at September 30, 2003	<u>931,958</u>
EXCESS PER ABOVE COMPUTATION	<u>\$ 421,196</u>

NOTE: There are no material differences between the computation for determination of reserve requirements presented above and that reported by the Company in its unaudited FOCUS Report as of September 30, 2003.

REYNDERS, GRAY & CO., INCORPORATED

INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS
FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3 UNDER THE
SECURITIES EXCHANGE ACT OF 1934
SEPTEMBER 30, 2003

The Company does not carry any securities accounts for customers and therefore the Company has no reporting requirement.



November 14, 2003

Reynders, Gray & Co., Incorporated
530 Fifth Avenue
New York, New York 10036

In planning and performing our audit of the financial statements of Reynders, Gray & Co., Incorporated, (the "Company") for the year ended September 30, 2003 (on which we issued our report dated November 14, 2003), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g) in 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). We did not review the practices and procedures followed by the Company: (1) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13, (2) in 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; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

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 internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") 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 acquisition, 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 conformity with accounting principles generally accepted in the United States of America. 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 or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the consolidated 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 Company's internal control and its operation, 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 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 September 30, 2003, to meet the Commission's objectives.

This report is intended solely for the information and use of the board of directors, management, the Securities and Exchange Commission, the New York Stock Exchange, Inc., the National Association of Securities Dealers, Inc. 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.

Yours truly,

Delo. Htz. Touche LLP