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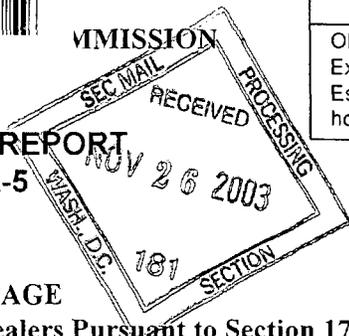


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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**



SEC FILE NUMBER
8-18206

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 October 1, 2002 AND ENDING September 26, 2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Anderson & Strudwick, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

707 East Main Street, 20<sup>th</sup> Floor

(No. and Street)

Richmond

VA

23219

(City)

(State)

(Zip Code)

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

G. Mark Hamby

(804) 643-2400

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

KPMG LLP

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

1021 East Cary Street, Suite 2000

Richmond

VA

23219

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**  
**DEC 23 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).

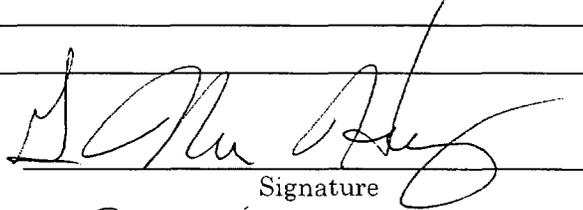
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SEC 1410 (06-02)

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## OATH OR AFFIRMATION

I, G. Mark Hamby, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Anderson & Strudwick, Inc. as of September 26, 2003, 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

President

Title

Commonwealth of Virginia  
City of Richmond  
Judith M. Brown  
November 26, 2003

Notary Public

My Commission expires 10/31/04

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 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A 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).

**ANDERSON & STRUDWICK, INC. AND SUBSIDIARY**  
(A Wholly Owned Subsidiary of Anderson & Strudwick Investment Corporation)

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Suite 2000  
1021 East Cary Street  
Richmond, VA 23219-4023

## Independent Auditors' Report

The Board of Directors  
Anderson & Strudwick, Inc.:

We have audited the accompanying consolidated statements of financial condition of Anderson & Strudwick, Inc. and subsidiary (the Company) (a wholly owned subsidiary of Anderson & Strudwick Investment Corporation) as of September 26, 2003 and September 27, 2002. These consolidated statements of financial condition are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated statements of financial condition based on our audits.

We conducted our audits 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 statements of financial condition are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audits of the statements of financial condition provide a reasonable basis for our opinion.

In our opinion, the consolidated statements of financial condition referred to above present fairly, in all material respects, the financial position of Anderson & Strudwick, Inc. and subsidiary as of September 26, 2003 and September 27, 2002, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

November 7, 2003



**ANDERSON & STRUDWICK, INC. AND SUBSIDIARY**  
(A Wholly Owned Subsidiary of Anderson & Strudwick Investment Corporation)

Consolidated Statements of Financial Condition

September 26, 2003 and September 27, 2002

Assets	<u>2003</u>	<u>2002</u>
Cash	\$ 1,100,443	330,085
Receivable from clearing broker (note 2)	1,136,437	2,083,845
Securities owned, at market value (note 3)	1,304,700	1,031,002
Office equipment and leasehold improvements, at cost (less accumulated depreciation and amortization of \$886,489 in 2003 and \$1,220,727 in 2002)	137,625	198,122
Deposit with clearing broker (note 2)	250,000	250,000
Investment in partnership interests (note 4)	239,833	247,080
Income taxes receivable (note 6)	—	64,800
Deferred taxes (note 6)	91,829	55,367
Other assets (note 8)	598,014	813,103
	<u>\$ 4,858,881</u>	<u>5,073,404</u>
<b>Liabilities and Stockholder's Equity</b>		
Payable to clearing broker (note 2)	\$ 1,298,055	2,376,589
Securities sold, but not yet purchased, at market value (note 3)	207,238	15,365
Accrued compensation	364,554	163,592
Accounts payable, accrued expenses and other liabilities	392,250	378,260
Deferred taxes (note 6)	91,829	55,367
	<u>2,353,926</u>	<u>2,989,173</u>
Stockholder's equity (notes 5 and 12):		
Convertible preferred stock, 5% noncumulative, nonvoting. Authorized 10,000 shares; issued and outstanding no shares	—	—
Common stock, \$1 par value. Authorized 250,000 shares; issued and outstanding 106,371 at September 26, 2003 and 82,046 shares at September 27, 2002	106,371	82,046
Additional paid-in capital	3,760,560	2,773,594
Retained deficit	(1,361,976)	(771,409)
	<u>2,504,955</u>	<u>2,084,231</u>
Commitments and contingencies (notes 9, 10, 11 and 13)		
	<u>\$ 4,858,881</u>	<u>5,073,404</u>

See accompanying notes to consolidated financial statements.

**ANDERSON & STRUDWICK, INC. AND SUBSIDIARY**  
(A Wholly Owned Subsidiary of Anderson & Strudwick Investment Corporation)

Notes to Consolidated Statements of Financial Condition

September 26, 2003 and September 27, 2002

**(1) Summary of Significant Accounting Policies**

The consolidated statements of financial condition as of September 26, 2003 include the accounts of Anderson & Strudwick, Inc. (A&S) and its wholly owned subsidiary A&S Capital Advisors, Inc. (ASCAP), hereafter, collectively referred to as the Company. All significant intercompany balances and transactions have been eliminated in consolidation. A&S is a broker-dealer registered under the Securities Exchange Act of 1934. The majority of its business is conducted in the Commonwealth of Virginia. ASCAP is an investment advisor registered under the Investment Advisors Act of 1940.

During the year ended September 26, 2003, the capital structure of ASIC was changed. Associated with this change, ASCAP, formerly a subsidiary of ASIC, was contributed to A&S as a wholly owned subsidiary. See note 12.

The statements of financial condition as of September 27, 2002 include the accounts of A&S only.

The Company's year end is the last Friday of September; September 26, 2003 and September 27, 2002.

The Company is a wholly owned subsidiary of Anderson & Strudwick Investment Corporation (ASIC).

A summary of the significant accounting and reporting policies of the Company is presented below.

**(a) Basis of Presentation**

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

**(b) Customer Transactions**

Customer transactions are reported to customers on a settlement date basis.

The Company utilizes a third party provider, Pershing, a division of Donaldson, Lufkin & Jenrette Securities Corporation, a Credit Suisse First Boston Company, to clear and execute customer transactions on a fully disclosed basis. Accordingly, Pershing holds all customer accounts.

**(c) Investment in Partnership Interests**

The investment in partnership interests is accounted for under the equity method.

**(d) Securities Transactions**

Marketable securities are valued at market value, except for not readily marketable securities, which are valued at estimated fair value as determined by management. Market value is determined from closing prices on national securities exchanges and dealer quotes in the over-the-counter market.

**(e) Office Equipment and Leasehold Improvements**

The Company depreciates office furniture and equipment using straight-line and accelerated methods, based on estimated useful lives of three to five years. Leasehold improvements are

**ANDERSON & STRUDWICK, INC. AND SUBSIDIARY**  
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Notes to Consolidated Statements of Financial Condition

September 26, 2003 and September 27, 2002

amortized over the lesser of the estimated useful lives of the improvements or the terms of the related leases.

**(f) *Income Taxes***

The Company is included in the consolidated federal income tax return filed by ASIC. Federal income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from ASIC. The amount of current and deferred taxes payable or refundable is recognized as of the date of the consolidated statements of financial condition, utilizing currently enacted tax laws and rates.

**(g) *Commitments and Contingencies***

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

**(h) *Reclassifications***

Certain prior year balances were reclassified to conform with the current year presentation.

**(i) *Use of Estimates***

The preparation of statements of financial condition 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 at the date of the consolidated statements of financial condition. Actual results could differ from those estimates.

**(2) *Receivable From and Payable to Clearing Broker***

Receivable from clearing broker represents securities failed to deliver and commissions earned on customer transactions, net of clearing fees and interest associated with both customer and Company transactions, which is due from the clearing broker.

Payable to clearing broker represents financing provided by the clearing broker to the Company and is collateralized by securities owned. Interest on this financing is charged by the clearing broker at the broker call rate. At September 26, 2003 and September 27, 2002, the broker call rate was 2.75% and 3.50%, respectively.

At September 26, 2003 and September 27, 2002, the Company had a deposit of \$250,000 with Pershing for the purpose of assuring performance under their clearing agreement.

**ANDERSON & STRUDWICK, INC. AND SUBSIDIARY**  
(A Wholly Owned Subsidiary of Anderson & Strudwick Investment Corporation)

Notes to Consolidated Statements of Financial Condition

September 26, 2003 and September 27, 2002

**(3) Securities Owned and Securities Sold but not yet Purchased**

Securities owned at September 26, 2003 and September 27, 2002 consist of the following:

	2003	2002
Securities owned, at market value:		
Obligations of U.S. government	\$ 94,066	20,968
State and municipal obligations	508,817	97,954
Corporate bonds, debentures and notes	492,664	7,712
Corporate stocks	209,153	904,368
	\$ 1,304,700	1,031,002
Securities sold, but not yet purchased, at market value:		
Corporate stocks	\$ 207,238	15,365

The Company owns certain securities which are not readily marketable. These 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 the Company. At September 26, 2003 and September 27, 2002, these securities, at estimated fair value, consisted of approximately \$23,000 and \$33,000, respectively, and are included in corporate stocks.

**(4) Investment in Partnership Interests**

In 1997, the Company purchased an interest in a real estate investment partnership (the Partnership) which invests primarily in hotels. The Company's investment represents less than 1% of the Partnership's total equity. The Partnership is managed by an entity which was owned by an employee of the Company. See note 13.

In 2000, the Company purchased an interest in a private investment partnership (the Investment Partnership) that invests primarily in publicly-traded securities. The Company had no investment in the Investment Partnership at September 26, 2003. At September 27, 2002, the Company's investment represented approximately 1% of the Investment Partnership's total equity. ASCAP served as the Investment Partnership's general partner until the disposition of the Investment Partnership during the year ended September 26, 2003. There was no gain or loss associated with the Company's disposition of its interest in the Investment Partnership.

**ANDERSON & STRUDWICK, INC. AND SUBSIDIARY**  
(A Wholly Owned Subsidiary of Anderson & Strudwick Investment Corporation)

Notes to Consolidated Statements of Financial Condition

September 26, 2003 and September 27, 2002

**(5) Net Capital and Reserve Requirements**

The Company is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission (the Net Capital Rule) and elects to compute its net capital requirements in accordance with the aggregate indebtedness method. This method requires that the Company's ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that minimum net capital may not be less than \$250,000. At September 26, 2003 and September 27, 2002, the Company had net capital, as defined, of \$1,281,420 and \$521,471, respectively, which was \$1,031,420 and \$271,471, respectively, in excess of the minimum net capital required. The ratio of aggregate indebtedness to net capital was .6 to 1 and 1.6 to 1, respectively, for these periods.

The Company is exempt from the reserve requirements for broker-dealers under Rule 15c3-3, subparagraph (k)(2)(ii).

**(6) Income Taxes**

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at September 26, 2003 and September 27, 2002 are presented below:

	2003	2002
Deferred tax assets:		
Net operating loss carryforwards	\$ 308,059	254,903
Accrued rent expense	77,925	77,925
Office equipment and leasehold improvements, principally due to differences in depreciation	35,521	29,205
Other	61,824	59,610
Less valuation allowance	(391,500)	(366,276)
Deferred tax assets	\$ 91,829	55,367
Deferred tax liabilities:		
Other assets, principally due to differences in prepaid expenses	\$ 58,396	29,873
Other	33,433	25,494
Deferred tax liabilities	\$ 91,829	55,367

In establishing a valuation allowance with respect to deferred tax assets, management assesses whether it is more likely than not that some portion or all of the deferred tax assets will be realized in the future.

For income tax reporting purposes, net operating loss carryforwards of approximately \$811,000 remain available at September 26, 2003. Approximately \$495,000 of the net operating loss carryforwards will expire by the 2005 tax year and approximately \$113,000 will expire by the 2007 tax year. Use of these carryforwards to offset future taxable income is dependent on future taxable income and is limited to approximately \$60,000 per year by Section 382 of the Internal Revenue Code (IRC). The remaining \$203,000 of net operating loss carryforwards will expire by the 2022 tax year and is not limited by Section 382.

**ANDERSON & STRUDWICK, INC. AND SUBSIDIARY**  
(A Wholly Owned Subsidiary of Anderson & Strudwick Investment Corporation)

Notes to Consolidated Statements of Financial Condition

September 26, 2003 and September 27, 2002

**(7) Employee Benefit Plans**

The Company has a profit sharing retirement plan as described in Section 401(k) of the IRC in which employees of the Company participate. The plan covers substantially all employees upon attainment of age 21 and completion of one year of continuous service, as defined. Employees may elect to make salary reduction contributions up to the maximum amounts allowed under the IRC. The Company may provide discretionary matching contributions.

ASIC has an employee stock ownership plan whereby employees of the Company may acquire shares of ASIC. The plan covers substantially all employees upon attainment of age 21 and completion of one year of continuous service, as defined.

**(8) Transactions with Affiliates and Related Parties**

The Company makes and receives advances from other affiliated companies controlled by ASIC. There were no amounts receivable from or payable to other affiliated companies at September 26, 2003. For the year ended September 27, 2002, these transactions resulted in amounts receivable from affiliated companies of approximately \$78,000. Additionally, the Company also has non-interest bearing loans and receivables outstanding from employees of approximately \$276,000 and \$389,000 at September 26, 2003 and September 27, 2002, respectively. Substantially all loans to employees relate to loans made as incentives for hiring new brokers which are being forgiven over the term of each employment agreement. Forgiven amounts are included in employee compensation and benefits in the accompanying consolidated statements of financial condition. Amounts receivable from affiliates and from employees are included as other assets in the accompanying consolidated statements of financial condition.

**(9) Commitments and Contingencies**

The Company leases its office space under operating leases expiring at various dates through 2009. Minimum future rental payments required under such leases that have initial or remaining noncancelable lease terms in excess of one year as of September 26, 2003 are as follows:

	<u>Minimum lease commitments</u>
Year ending September:	
2004	\$ 430,223
2005	397,632
2006	385,947
2007	394,612
2008	346,946
Thereafter	<u>5,356</u>
	<u>\$ 1,960,716</u>

Some of the Company's leases contain escalation clauses and renewal options.

**ANDERSON & STRUDWICK, INC. AND SUBSIDIARY**  
(A Wholly Owned Subsidiary of Anderson & Strudwick Investment Corporation)

Notes to Consolidated Statements of Financial Condition

September 26, 2003 and September 27, 2002

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material effect on the Company's financial position.

**(10) Financial Instruments**

The contractual arrangement between the Company and Pershing may be terminated at any time by either party with 60 days notice. In the event that customers are unable to fulfill their contractual obligations, Pershing may charge the Company for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy customer obligations.

The financial instruments of the Company are reported in the accompanying consolidated statements of financial condition at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments.

In the normal course of its business, the Company enters into various transactions involving off-balance-sheet financial instruments. These financial instruments include the purchase and sale of securities pursuant to new issuances. These transactions are used to meet the needs of customers, conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk.

In addition, the Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the accompanying consolidated statements of financial condition at the market values of the related securities and will incur a loss if the market value of the securities increases subsequent to September 26, 2003.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

The Company has a concentration of credit risk in the Commonwealth of Virginia since a significant portion of its customer base resides in that state. This is mitigated through Company's use of a third-party provider, Pershing, for maintenance and custody of collateral for all of its margin account customers in accordance with various regulatory and internal guidelines.

**ANDERSON & STRUDWICK, INC. AND SUBSIDIARY**  
(A Wholly Owned Subsidiary of Anderson & Strudwick Investment Corporation)

Notes to Consolidated Statements of Financial Condition

September 26, 2003 and September 27, 2002

**(11) Liquidity**

The Company has incurred operating losses which have resulted in an accumulated deficit of \$1,361,976 at September 26, 2003. The Company's ability to meet obligations as they come due is contingent upon continued adequate cash flows from profitable operations and additional capital contributions. It is management's opinion that additional capital contributions will be provided as necessary from outside investors should the need arise. Management is continuing to review the Company's operations to identify opportunities to increase operating revenues and decrease operating costs in order to improve operating cash flows.

**(12) Contribution of Subsidiary**

On October 1, 2002, ASIC contributed its investment in its subsidiary, ASCAP, to A&S. ASCAP's operations for the year ended September 27, 2002 included revenues totaling approximately \$33,000 and a net operating loss of approximately \$202,000. The results of operations of ASCAP are included in the Company from October 1, 2002 onward.

**(13) Settlement Agreement with Former Employee**

On November 7, 2003, the Company reached an agreement with a former employee to release the Company from its former buy-out contract with the employee. Under the terms of the agreement, the employee will receive a lump sum payment of \$100,000 and accelerated payout, as defined in the agreement, on commissions from the former branch location managed by the employee for the first three years after the date of the agreement and then 50% of future commissions forever.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
REQUIRED BY SEC RULE 17A-5**

Year ended September 26, 2003



Suite 2000  
1021 East Cary Street  
Richmond, VA 23219-4023

**Independent Auditors' Report on Internal Control  
Required by SEC Rule 17a-5**

The Board of Directors  
Anderson & Strudwick, Inc.:

In planning and performing our audit of the consolidated statements of financial condition of Anderson & Strudwick, Inc. and subsidiary (the Company) for the year ended September 26, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated statements of financial condition and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures 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 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, we did not review the practices and procedures followed by the Company in any of the following: (1) in making the quarterly securities examinations, counts, verifications and comparisons; (2) recordation of differences required by Rule 17a-13; and (3) in 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 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 controls and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of statements of financial condition in conformity 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 or the practices and procedures referred to above, errors or fraud 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 internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the statements of financial condition being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.





However, we noted no matters involving internal control, including activities for safeguarding securities, that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 26, 2003 to meet the SEC's objectives.

This report is intended solely for the use of the board of directors and management of Anderson & Strudwick, Inc., and the Securities and Exchange Commission 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 is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 7, 2003