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Washington, D.C. 20549

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

SEC FILE NUMBER
8-44779

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 January 1, 2003 (MM/DD/YY) AND ENDING December 31, 2003 (MM/DD/YY)

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A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
Hunter Associates, inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

436 Seventh Avenue, Koppers Building, 5th Floor
(No. and Street)

Pitsburgh, (City) Pennsyvlania (State) 15219 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Brad J. Marshall 412/765-8927
(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lally, Lally & Co. LLC
(Name – *if individual, state last, first, middle name*)

5700 Corproate Drive, Suite 800 (Address) Pittsburgh, (City) Pennsylvania (State) 15237 (Zip Code)

CHECK ONE:

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

PROCESSED
MAR 03 2004
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)*

SEC 1410 (06-02)

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, Brad J. Marshall, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hunter Associate, inc., as of December 31, 20 03, 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:

Notarial Seal
Sue A. Haberlein, Notary Public
City Of Pittsburgh, Allegheny County
My Commission Expires June 4, 2006
Member, Pennsylvania Association Of Notaries

Signature

Chief Financial Officer
Title

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~~ Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' 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 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.
- x (o) Independent Auditors' Report on Internal Accounting Control.

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

HUNTER ASSOCIATES, inc.
(A Wholly Owned Subsidiary of H.A. Holdings, inc.)
FINANCIAL STATEMENTS

DECEMBER 31, 2003

PROCESSING
FEB 2 4 2004
SECTION

HUNTER ASSOCIATES, inc.
(A Wholly Owned Subsidiary of H.A. Holdings, inc.)
FINANCIAL STATEMENTS
DECEMBER 31, 2003

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Lally, Lally & Co. LLC
Certified Public Accountants & Business Advisors

5700 Corporate Drive, Suite 800
Pittsburgh, Pennsylvania 15237-5851
Telephone 412•367•8190
Facsimile 412•366•3111
www.lallycpas.com

INDEPENDENT AUDITORS' REPORT

Hunter Associates, inc.
(A Wholly Owned Subsidiary of H.A. Holdings, inc.)
Pittsburgh, Pennsylvania

We have audited the accompanying statement of financial condition of **Hunter Associates, inc.** (the Company), a wholly owned subsidiary of H.A. Holdings, inc., as of December 31, 2003, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 **Hunter Associates, inc.** at December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information 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 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.

Lally, Lally & Co. LLC

January 27, 2004

HUNTER ASSOCIATES, inc.
(A Wholly Owned Subsidiary of H.A. Holdings, inc.)
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2003

ASSETS

Cash and Cash Equivalents	$ 866,365
Due From Clearing Broker	220,291
Accounts Receivable	15,700
Prepaid and Other Assets	99,707
Securities Owned - At Market Value	137,600
Furniture and Equipment - At Cost, Less Accumulated Depreciation of Approximately $627,600	116,014
Total Assets	$ 1,455,677

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	
Accounts Payable, Accrued Expenses, and Other Liabilities	$ 183,659
Management Fee Payable - Related Party	292,698
Total Liabilities	476,357
Stockholder's Equity	
Common Stock - Par Value $1 Per Share; 10,000 Shares Authorized; 1,000 Shares Issued and Outstanding	1,000
Additional Paid-in Capital	1,038,161
Accumulated Deficit	(59,841)
Total Stockholder's Equity	979,320
Total Liabilities and Stockholder's Equity	$ 1,455,677

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

HUNTER ASSOCIATES, inc.
(A Wholly Owned Subsidiary of H.A. Holdings, inc.)
STATEMENT OF OPERATIONS
YEAR ENDED DECEMEBER 31, 2003

REVENUES	
Investment Advisory Fees	$ 1,792,795
Mutual Fund Commissions and Fees	824,145
Commissions and Fees	786,480
Other	350,528
Net Dealer Principal Gains	77,605
Interest and Dividends	13,703
Total Revenues	3,845,256
EXPENSES	
Employee Compensation and Benefits	2,087,638
Management Fees - Related Party	798,014
Occupancy and Equipment Rentals	249,295
Commissions and Clearing Charges to Other Brokers	229,684
Other	163,186
Professional Fees	139,551
Communications	135,783
Regulatory Fees	44,324
Interest	632
Total Expenses	3,848,107
Net Loss	$ (2,851)

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

HUNTER ASSOCIATES, inc.
(A Wholly Owned Subsidiary of H.A. Holdings, inc.)
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
YEAR ENDED DECEMBER 31, 2003

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total Stockholder's Equity
Balance – January 1, 2003	$ 1,000	$ 994,007	$ (56,990)	$ 938,017
Capital Contributed	0	44,154	0	44,154
Net Loss	0	0	(2,851)	(2,851)
Balance – December 31, 2003	$ 1,000	$ 1,038,161	$ (59,841)	$ 979,320

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

HUNTER ASSOCIATES, inc.
(A Wholly Owned Subsidiary of H.A. Holdings, inc.)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

OPERATING ACTIVITIES	
Net Loss	$ (2,851)
Noncash Items Included in Net Loss	
Depreciation	32,290
Changes In	
Due from Clearing Broker	967
Other Assets	(19,081)
Accounts Payable and Other Liabilities	35,076
Management Fee Payable - Related Party	91,623
Net Cash and Cash Equivalents From Operating Activities	138,024
INVESTING ACTIVITIES	
Furniture and Equipment Acquired	(9,728)
FINANCING ACTIVITIES	
Capital Contributed by Parent	44,154
Net Increase in Cash and Cash Equivalents	172,450
Cash and Cash Equivalents - Beginning	693,915
Cash and Cash Equivalents - Ending	$ 866,365

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

NOTE 1 – ORGANIZATION

Hunter Associates, inc. is a wholly owned subsidiary of H.A. Holdings, inc. (the Parent). The Company was incorporated in December 1999 and was organized under the laws of the Commonwealth of Pennsylvania.

The Company operates as a securities broker-dealer, registered with the National Association of Security Dealers, Inc. and as an investment advisor registered with the Securities and Exchange Commission (SEC). The Company executes principal (proprietary) and agency (customer) securities transactions and provides other investment services.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hunter Associates, inc. are presented on the accrual basis of accounting and are prepared in conformity with U.S. generally accepted accounting principles. In order to facilitate the understanding of the data included in the financial statements, summarized below are the more significant accounting policies.

Securities Transactions

The Company is associated with Pershing LLC on a fully disclosed basis in connection with execution and clearance of the securities transactions effected by the Company and its customers. The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities. As such, the Company operates under the (k)(2)(ii) exemptive provisions of SEC Rule 15c3-3.

Securities transactions, together with the related commission revenues and expenses, are recorded on the settlement date basis, generally the third business day following the trade date.

Estimates Used

The Company uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

The Company maintains balances on deposit with financial institutions and its clearing broker. Those organizations are located in Pennsylvania and New Jersey. The accounts maintained at financial institutions are insured by the Federal Deposit Insurance Corporation up to $100,000. The accounts maintained at the clearing broker are insured by the Securities Investor Protection Corporation up to $100,000. At certain times during the year, the Company's cash balances may exceed those limits. The Company has not experienced any such losses associated with these accounts.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

For purposes of the statement of cash flows, the Company includes amounts on deposit with banks and amounts invested in money market instruments with other financial institutions as cash and cash equivalents.

Securities Owned

Investments in securities and securities sold short (if any) traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the primary securities exchange on which securities have traded on the last business day of the year. Investments for which there is a limited market are valued at management's estimate of market value. The resulting difference between cost and market is included in income.

Purchases and sales of securities are recorded on a settlement-date basis. Realized gains and losses on security transactions are based on the specific-identification method. Dividends and dividends on securities sold short are recorded when received. Interest on fixed income securities owned is accrued as earned.

Furniture and Equipment

Furniture and equipment is recorded at cost. Depreciation is provided on straight-line and accelerated methods using estimated useful lives ranging from five to thirty-one years. Depreciation expense for the year ended December 31, 2003, amounted to approximately $32,300.

Investment Advisory Fees

Investment advisory fees charged to customers are billed quarterly but are recognized on a pro rata basis over the quarter as earned.

Income Taxes

The Company has elected treatment as a qualified subchapter S subsidiary (QSub) for federal and state income taxation purposes. As a QSub, the Company's operating results are combined with its Parent's (an "S" corporation) income tax returns. This election relieves the Company of most federal and state income tax liability, with its income being taxable directly to its Parent's stockholders.

NOTE 3 – DUE FROM CLEARING BROKER

Amounts receivable from the Company's clearing broker at December 31, 2003 consisted of the following:

Deposits With Clearing Broker	$ 100,000
Receivable From Clearing Broker	120,291
	$ 220,291

The Company clears its proprietary transactions and customer transactions on a fully disclosed basis through Pershing LLC. The amount receivable from the clearing organization relates to amounts due from Pershing LLC.

NOTE 4 – SECURITIES OWNED

Marketable securities as of December 31, 2003 consisted of securities owned, principally corporate stocks, having market values of approximately $137,600.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Company had an agreement with Hunter Management, inc., a company related by common ownership, through which the Company obtained various management and advisory services. The agreement called for annual renewal until terminated by either party. Under the terms of the agreement, the Company incurred management fee expense of approximately $798,000 of which approximately $293,000 was due and payable as of December 31, 2003. The agreement was terminated in January 2004.

NOTE 6 – RETIREMENT PLAN

The Company sponsors a Savings Incentive Match Plan for Employees of Small Employers (the Plan) that covers all employees that meet the eligibility requirements, as defined. The Plan calls for employer matching of 100% of employee salary reduction contributions up to a limit of 3% of gross compensation. Employer retirement contributions are accrued and funded on a current basis. Retirement plan expense under the Plan amounted to approximately $35,200 for the year ended December 31, 2003.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Company leases office space and equipment under several short-term and long-term operating agreements that expire in various years through August 2008. The Company's office lease calls for a base rent plus a proportionate share of the taxes and operating costs of the property. Approximate future minimum lease obligations under non-cancelable operating leases having remaining lease terms in excess of one year as of December 31, 2003, for each of the next five years and in the aggregate are:

Year Ending December 31,	
2004	$ 213,500
2005	115,500
2006	13,600
2007	12,300
2008	8,200
	$ 363,100

NOTE 8 – NET CAPITAL REQUIREMENTS

The Company, as a registered broker-dealer in securities, is subject to the net capital rule adopted by the Securities and Exchange Commission and administered by the National Association of Securities Dealers, Inc. This rule requires that the Company's "aggregate indebtedness" not exceed fifteen times its "net capital" as defined. The National Association of Securities Dealers, Inc. may require a broker-dealer to reduce its business activity if the capital ratio should exceed 12 to 1 and may prohibit a broker-dealer from expanding business if the ratio exceeds 10 to 1. At December 31, 2003, the Company's net capital under the uniform net capital rule was approximately $482,400 which exceeded the minimum capital requirements by approximately $232,400. The Company's ratio of aggregate indebtedness to net capital at December 31, 2003, was .99 to 1.

NOTE 9 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company has not experienced nonperformance by customers or counterparties in the situations described in the following:

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 (through its clearing broker) 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 the 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

NOTE 9 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (CONTINUED)

customer's obligations. The Company seeks to control the risks associated with its customers' activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily, and pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary. At December 31, 2003, the contractual amount of unsettled customer purchases and sales were approximately $328,000 and $490,000, respectively. All unsettled trades were closed subsequent to December 31, 2003, with no loss to the Company.

The Company's principal (proprietary) securities transactions are recorded on a settlement date basis. At December 31, 2003, the contractual amount of unsettled proprietary purchases were approximately $1.6 million. There were no unsettled proprietary securities sales at December 31, 2003. All unsettled trades were closed subsequent to December 31, 2003.

The Company's customers are located primarily in Pennsylvania; accordingly, they are subject to the economic environment of this geographic area. Securities owned by the Company are primarily publicly traded corporate stocks. No off-balance-sheet credit risk exists with respect to these securities, and collateral is not obtained.

HUNTER ASSOCIATES, inc.
(A Wholly Owned Subsidiary of H.A. Holdings, inc.)
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2003

NET CAPITAL	
Stockholder's Equity	$ 979,320
Deductions	
Nonallowable Assets:	
Furniture and Equipment - Net	116,014
Securities - Not Readily Marketable	137,600
Other Assets	115,457
Receivables from Brokers or Dealers	111,566
Haircuts on Securities Owned	16,237
	496,874
Net Capital	$ 482,446
AGGREGATE INDEBTEDNESS	
Accounts Payable, Accrued Expenses, Fees, and Other Liabilities	$ 476,357
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	
Net Capital Requirement (Greater of 6-2/3% of Aggregate Indebtedness or $250,000)	$ 250,000
Net Capital in Excess of Amount Required	232,446
Net Capital	$ 482,446
Ratio of Aggregate Indebtedness to Net Capital	.99 to 1.0

The above calculation does not differ materially from the Company's computation of net capital under Rule 15c3-1 as of December 31, 2003, which was filed with the National Association of Security Dealers, Inc. on January 27, 2004.

See independent auditors' report.

Lally, Lally & Co. LLC
Certified Public Accountants & Business Advisors

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

Hunter Associates, inc.
(A Wholly Owned Subsidiary of H.A. Holdings, inc.)
Pittsburgh, Pennsylvania

In planning and performing our audit of the financial statements of **Hunter Associates, inc.** (the Company) (a wholly owned subsidiary of H.A. Holdings, inc.) for the year ended December 31, 2003, we considered its internal control, 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.

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 **Hunter Associates, inc.** 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. Making quarterly securities examinations, counts, verifications, and comparisons;

2. Recordation of differences required by Rule 17a-13; and

3. Complying with the requirements for prompt payment for securities under Section 8 of the 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 the 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 U.S. 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 the internal control 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 would not necessarily disclose all matters in the 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 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, 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 SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and the 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 December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the National Association of Security Dealers, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and should not be used for any other purpose.

Lang, Lang & Co. LLC

January 27, 2004