

B/B

SECURIT



04013126

MISSION

5127
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**

SEC FILE NUMBER
8-18811

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 JULY 1, 2003 AND ENDING JUNE 30, 2004
MM/DD/YY MM/DD/YY

RECEIVED
AUG 23 2004
SECTION

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

R. W. ELLWOOD & CO., INC.

OFFICIAL USE ONLY
FIRM ID. NO.

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

20 EXCHANGE PLACE

(No. and Street)

NEW YORK

NEW YORK

10005

(City)

(State)

(Zip Code)

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

ROBERT J. ELLWOOD

(212) 425-8360

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SANFORD BECKER & CO., PC

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

1430 BROADWAY 6TH FLOOR

NEW YORK

NY

10018

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

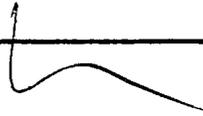
PROCESSED
SEP 03 2004
THOMSON FINANCIAL

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).

OATH OR AFFIRMATION

I, ROBERT J. ELLWOOD, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of R W. ELLWOOD & CO INC, as of JUNE 30, 2004, 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
ROBERT J. ELLWOOD, PRESIDENT.

Title

RAYMOND J. O'SULLIVAN
NOTARY PUBLIC, State of New York
No. 60-4744580
Qualified in Westchester County
Certificate Filed in New York County
Commission Expires AUG. 31, 2005
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 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).

R.W. ELLWOOD & CO., INC.

June 30, 2004

CONTENTS

	<u>PAGE</u>
Report of Independent Certified Public Accountants	1
Statement of Financial Condition	2-5
Statement of Earnings	6
Statement of Stockholders' Equity	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 10
SUPPLEMENTARY SUPPORTING SCHEDULES:	
Computation of Net Capital and Alternate Net Capital Requirement	11 - 12
Computation for Determination of Reserve Requirements for Broker - Dealers Under Rule 15c3-3	13
Information for Possession or Control Requirements Under Rule 15c3-3	14
Reconciliation Between the Audited and Unaudited Statements of Financial Condition as of June 30, 2004	15
Report on Internal Control	16 - 17

SANFORD BECKER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

RICHARD S. BECKER, C.P.A.
SANFORD E. BECKER, C.P.A.
GEORGE S. GETZ, C.P.A.

SANFORD BECKER, C.P.A. 1922-1994

1430 BROADWAY
NEW YORK, N.Y. 10018
TELEPHONE - (212) 921 - 9000
FACSIMILE - (212) 354 - 1822

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
R.W. Ellwood & Co., Inc.

We have audited the accompanying statement of financial condition of R.W. Ellwood & Co., Inc. as of June 30, 2004 and the related statements of income, 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 R.W. Ellwood & Co., Inc. as of June 30, 2004 and the results of their operations and their 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 contained in the schedules listed on the accompanying index is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New York, New York
July 25, 2004

Sanford Becker & Co. P.C.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

MEMBER OR DEALER R.W. ELLWOOD & CO., INC.	N2			101
--	----	--	--	-----

STATEMENT OF FINANCIAL CONDITION

As of (MM/DD/YY) JUNE 30, 2004 98
 SEC FILE NO. 8-18811 98

Consolidated 198
 Unconsolidated 198

ASSETS

	<u>Allowable</u>	<u>Nonallowable</u>	<u>Total</u>
1. Cash	\$ 200		\$ 750
2. Cash segregated in compliance with federal and other regulations	210		760
3. Receivable from brokers or dealers and clearing organizations:			
A. Failed to deliver:			
1. Includable in "Formula for Reserve Requirements"	220		
2. Other	303,529		303,529
B. Securities borrowed:			
1. Includable in "Formula for Reserve Requirements"	240		
2. Other	250		780
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	260		
2. Other	270		790
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	280		
2. Other	64,642		64,642
E. Other	300	\$ 550	\$ 810
4. Receivables from customers:			
A. Securities accounts:			
1. Cash and fully secured accounts	310		
2. Partly secured accounts	320	560	
3. Unsecured accounts		570	
B. Commodity accounts	330	580	
C. Allowance for doubtful accounts	() 335	() 590	820
5. Receivables from non-customers:			
A. Cash and fully secured accounts	340		
B. Partly secured and unsecured accounts	350	600	830
6. Securities purchased under agreements to resell	360	605	840
7. Securities and spot commodities owned, at market value:			
A. Bankers acceptances, certificates of deposit and commercial paper	370		
B. U.S. and Canadian government obligations	380		
C. State and municipal government obligations	390		
D. Corporate obligations	400		

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER **R.W. ELLWOOD & CO., INC.**

as of JUNE 30, 2004

STATEMENT OF FINANCIAL CONDITION

ASSETS

	<u>Allowable</u>	<u>Nonallowable</u>	<u>Total</u>
E. Stocks and warrants	1,890		410
F. Options			420
G. Arbitrage			422
H. Other securities			424
I. Spot commodities			430
			\$ 1,890 850
8. Securities owned not readily marketable:			
A. At Cost \$ 130			
B. At estimated fair value	440	\$ 610	860
9. Other investments not readily marketable:			
A. At Cost .. \$ 140			
B. At estimated fair value	450	620	870
10. Securities borrowed under subordination agree- ments and partners' individual and capital securities accounts, at market value:			
A. Exempted securities .. \$ 150			
B. Other \$ 160	460	630	880
11. Secured demand notes- market value of collateral:			
A. Exempted securities .. \$ 170			
B. Other \$ 180	470	640	890
12. Memberships in exchanges:			
A. Owned, at market value \$ 190			
B. Owned at cost		650	
C. Contributed for use of company, at market value		660	90
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	670	90
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements: At cost (net of accumulated depreciation and amortization)	490	14,518 680	14,518 90
15. Other Assets:			
A. Dividends and interest receivable	500	690	
B. Free shipments	510	700	
C. Loans and advances	520	108,479 710	
D. Miscellaneous	190,000 530	17,930 720	316,409 90
16. TOTAL ASSETS	\$ 560,061 540	\$ 140,927 740	\$ 700,988 90

OMIT PENN

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

ROKER OR DEALER R. W. ELLWOOD & CO., INC.

as of JUNE 30, 2004

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities *</u>	<u>Non-A.I. Liabilities *</u>	<u>Total</u>
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements"	\$ 1030	\$ 1240	\$ 1460
B. Other	1040	1250	1470
18. Securities sold under repurchase agreements ..		1260	1480
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements"	1050	1270	1490
2. Other	1060	5,186 1280	5,186 1500
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements"	1070		1510
2. Other	1080	1290	1520
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	1090		1530
2. Other	1095	1300	1540
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	1100		1550
2. Other	1105	1310	1560
E. Other	1110	1320	1570
20. Payable to customers:			
A. Securities accounts -including free credits of \$ 950	1120		1580
B. Commodities accounts	1130	1330	1590
21. Payable to non-customers:			
A. Securities accounts	1140	1340	1600
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value - including arbitrage of \$ 960		1360	1620
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable	1160		1630
B. Accounts payable	41,351 1170		41,351 1640
C. Income taxes payable	1180		1650
D. Deferred income taxes		1370	1660
E. Accrued expenses and other liabilities	1190		1670
F. Other	1200	1380	1680

OMIT PENNIE

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

SEE NOTES TO FINANCIAL STATEMENTS

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER R.W. ELLWOOD & CO., INC.

as of JUNE 30, 2004

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

<u>Liabilities</u>	<u>A.I. Liabilities *</u>		<u>Non-A.I. Liabilities *</u>		<u>Total</u>
24. Notes and mortgages payable:					
A. Unsecured	\$	1210			\$ 1690
B. Secured	¥	1211	\$	1390	1700
25. Liabilities subordinated to claims of general creditors:					
A. Cash borrowings				1400	1710
1. from outsiders [¥] \$		970			
2. Includes equity subordination (15c3-1 (d)) of	\$	980			
B. Securities borrowings, at market value; from outsiders \$				1410	1720
990					
C. Pursuant to secured demand note collateral agreements;				1420	1730
1. from outsiders \$		1000			
2. Includes equity subordination (15c3-1 (d)) of	\$	1010			
D. Exchange memberships contributed for use of company at market value			¥	1430	1740
E. Accounts and other borrowings not qualified for net capital purposes				1440	1750
1220					
26. TOTAL LIABILITIES	\$	41,351	\$	5,186	\$ 46,537
		1230		1450	1760

Ownership Equity

27. Sole proprietorship					\$ 17
28. Partnership- limited partners	\$	1020			17
29. Corporation:					
A. Preferred stock					17
B. Common stock	¥			58,473	17
C. Additional paid-in capital					17
D. Retained earnings				595,978	17
E. Total				654,451	17
F. Less capital stock in treasury					17
30. TOTAL OWNERSHIP EQUITY	\$			654,451	17
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY	\$			700,988	17

OMIT PEN

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

R.W. ELLWOOD & CO., INC.
STATEMENT OF EARNINGS
YEAR ENDED JUNE 30, 2004

REVENUE

Commissions	\$ 1,055,947
Interest	890
	<u>\$ 1,056,837</u>

EXPENSES

Employee Compensation & Benefits	\$ 634,146
Communications	56,990
Occupancy and Equipment Rental	92,992
Promotional Costs	23,927
Taxes	3,132
Clearing Costs	39,026
Regulatory Fees	6,603
Other Operating Expenses	211,171
	<u>\$ 1,067,987</u>

Net Loss Before Provision for Federal Income Tax	\$ (11,150)
Provision for Federal Income Tax	2,621
Net Loss	<u>\$ (13,771)</u>

R.W. ELLWOOD & CO., INC.
STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED JUNE 30, 2004

	<u>COMMON</u> <u>STOCK</u>	<u>RETAINED</u> <u>EARNINGS</u>	<u>TOTAL</u>
<u>BALANCE</u> at July 1, 2003	\$ 58,473	\$ 609,749	\$ 668,222
Net Loss		(13,771)	(13,771)
<u>BALANCE</u> at June 30, 2004	<u>\$ 58,473</u>	<u>\$ 595,978</u>	<u>\$ 654,451</u>

R. W. ELLWOOD & CO., INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:		
Net Loss		\$ (13,771)
Adjustments to Reconcile Net Loss To Net Cash Used For Operating Activities:		
Depreciation and Amortization	3,050	
Increase in Receivable From Brokers or Dealers and Clearing Organizations:	(215,527)	
Increase in Payable to Brokers or Dealers and Clearing Organizations:	5,186	
Increase in Accounts Payable and Accrued Expenses Payable:	351	
Increase in Other Assets:	<u>(44,309)</u>	
		<u>(251,249)</u>
Net Cash Used For Operating Activities		\$ (265,020)
Cash Flows from Investing Activities:		
Decrease in Securities Owned		<u>197,698</u>
Net Cash Provided By Investing Activities		\$ 197,698
Net Decrease in Cash and Cash Equivalents		67,322
Cash and Cash Equivalents At Beginning of Year		<u>67,322</u>
Cash and Cash Equivalents at End of Year		\$ -
Supplemental Cash Flows Disclosures		
Income Tax Payments	\$ 5,753	
Interest Payments	None	

For the purpose of the statement of cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

R.W. ELLWOOD & CO., INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

- (1) Summary of Significant Accounting Policies:
- (a) Accounting for securities transactions is on a settlement date basis (Normally three business days after trade date).
 - (b) Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is computed using accelerated methods over the estimated useful lives of the related assets.
 - (c) In the normal course of its business, the Company enters into financial transactions where the risk of potential loss due to changes in the market value (market risk) or failure of the other party to the transaction to perform (credit risk) exceeds the amounts recorded for customer and counter party with which it conducts business. R.W. Ellwood & Co., Inc. does not do business in foreign currency, futures or forward contracts.
 - (d) The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.
 - (e) The Company is obligated under a noncancelable operating lease for its office premises expiring September 30, 2005. Total remaining obligations under this lease amount to \$56,608.88.
- (2) Capital Stock:
- Capital Stock consists of the following:
- Common Stock without par value
 - Authorized 1,000 Shares
 - Issued and outstanding, 556 Shares

(3) Net Capital Requirement:

The Company registration with the Securities & Exchange Commission became effective February 2, 1976.

As a registered Broker-Dealer, R. W. Ellwood & Co., Inc. is subject to Rule 15c3-1 of the Securities & Exchange Commission which specifies uniform minimum net capital requirements for its registrants. At June 30, 2004 R.W. Ellwood & Co., Inc. had net capital of \$513,240 which exceeded requirements by \$363,240 the percentage of aggregate indebtedness to net capital as of June 30, 2004 was 8%. At all times during the year, R. W. Ellwood & Co., Inc was compliance with the net capital rules.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

BROKER OR DEALER

R.W. ELLWOOD & CO., INC.

as of JUNE 30, 2004

COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition – Item 1800).....	\$	654,451	3480
2. Deduct: Ownership equity not allowable for net capital	(3490
3. Total ownership equity qualified for net capital.....		654,451	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital.....			3520
B. Other (deductions) or allowable credits (List).....			3525
5. Total capital and allowable subordinated liabilities.....	\$	654,451	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Note B and C)	\$	140,927	3540
1. Additional charges for customers' and non-customers' security accounts			3550
2. Additional charges for customers' and non-customers' commodity accounts.....			3560
B. Aged fail-to-deliver:			3570
1. Number of items	▼ ₂₉	3450	
C. Aged short security differences-less reserve of.....	\$	3460	▼ ₃₀ align="right">3580
number of items.....		3470	
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities – proprietary capital charges			3600
F. Other deductions and/or charges			3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ..			3615
H. Total deductions and/or charges	(140,927	3620
7. Other additions and/or allowable credits (List).....			3630
8. Net Capital before haircuts on securities positions	\$	513,524	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments			3660
B. Subordinated securities borrowings.....			3670
C. Trading and Investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper	▼ ₃₁		3680
2. U.S. and Canadian government obligations			3690
3. State and municipal government obligations			3700
4. Corporate obligations			3710
5. Stocks and warrants		284	3720
6. Options			3730
7. Arbitrage			3732
8. Other securities	▼ ₃₂		3734
D. Undue concentration.....			3650
E. Other (list).....			3736
10. Net Capital	\$	513,240	374

OMIT PENN

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

ROKER OR DEALER **R.W. ELLWOOD & CO., INC.**

as of JUNE 30, 2004

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$	2,758	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	150,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	150,000	3760
14. Excess net capital (line 10 less 13)	\$	363,240	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$		3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	41,351	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1 (c) (1) (vii))	\$	41,351	3838
19. Total aggregate indebtedness	\$	41,351	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	8%	3850
21. Percentage of Aggregate Indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 ÷ by line 10 less item 4880 page 11)	%		3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 4% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	N/A	387
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		388
24. Net capital requirement (greater of line 22 or 23)	\$		376
25. Excess net capital (line 10 less 24)	\$		391
26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8)	%		385
27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debits (line 10 less item 4880 page 11 ÷ by line 17 page 8)	%		385
28. Net capital in excess of the greater of:			
A. 6% of combined aggregate debit items or \$120,000	\$		392
B. 7% of combined aggregate debit items or \$120,000	\$		393

OTHER RATIOS

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	381
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital	%	38

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II

BROKER OR DEALER **R. W. ELLWOOD & CO., INC.**

as of JUNE 30, 2004

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3
(See Rule 15c3-3, Exhibit A and Related Notes)

CREDIT BALANCES

1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3)	\$	4340	
2. Monies borrowed collateralized by securities carried for the accounts of customers (see Note B)		4350	
3. Monies payable against customers' securities loaned (see Note C)		4360	
4. Customers' securities failed to receive (see Note D)		4370	
5. Credit balances in firm accounts which are attributable to principal sales to customers		4380	
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days		4390	
7. **Market value of short security count differences over 30 calendar days old		4400	
8. **Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days	**	4410	
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days		4420	
10. Other (List)		4425	
11. TOTAL CREDITS	\$		4430

NOT APPLICABLE

DEBIT BALANCES

12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3	\$	4440	
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver		4450	
14. Failed to deliver of customers' securities not older than 30 calendar days		4460	
15. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts (See Note F)		4465	
16. Other (List)	**	4469	
17. **Aggregate debit items	\$		4470
18. **less 3% (for alternative method only — see Rule 15c3-1 (f) (5) (ii))			4471
19. ***TOTAL 15c3-3 DEBITS	\$		4472

RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11)	\$	4480
21. Excess of total credits over total debits (line 11 less line 19)		4490
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits		4500
23. Amount held on deposit in "Reserve Bank Account(s)", including value of qualified securities, at end of reporting period		4510
24. Amount of deposit (or withdrawal) including \$ <u>4515</u> value of qualifying securities		4520
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ <u>4525</u> value of qualified securities	\$	4530
26. Date of deposit (MMDDYY)		4540

OMIT PENNIES

FREQUENCY OF COMPUTATION

27. Daily 4332 Weekly 4333 Monthly 4334

**In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

R.W. ELLWOOD & CO., INC.
RECONCILIATION BETWEEN AUDITED AND UNAUDITED
STATEMENTS OF FINANCIAL CONDITION
JUNE 30, 2004

Unaudited Total Ownership Equity - June 30, 2004	\$ 663,253
Audit Adjustments:	
Year Ended Accruals - Depreciation and Year End Adjustments	<u>8,802</u>
Audited Total Ownership Equity - June 30, 2004	<u>\$ 654,451</u>

SANFORD BECKER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

RICHARD S. BECKER, C.P.A.
SANFORD E. BECKER, C.P.A.
GEORGE S. GETZ, C.P.A.

SANFORD BECKER, C.P.A. 1922-1994

1430 BROADWAY
NEW YORK, N.Y. 10018
TELEPHONE - (212) 921 - 9000
FACSIMILE - (212) 354 - 1822

REPORT ON INTERNAL CONTROL

Board of Directors
R.W. Ellwood & Co., Inc.

In planning and performing our audit of the financial statements of R.W. Ellwood & Co., Inc., for the year ended June 30, 2004, we considered its internal control structure including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17A-5 (g) (1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by R.W. Ellwood & Co., Inc., that we considered relevant to the objectives stated in rule 17A-5 (g), (i) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17A-3 (a) (ii) and the reserve required by rule 15C3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17A-13; (3) 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 (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15C3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure and practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility and safeguarded against loss from unauthorized use or disposition and that the transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with general accepted accounting principals. Rule 17A-5 (g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in an internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicated 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 June 30, 2004 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities Exchange Commission, and other regulatory agencies which rely on Rule 17A-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

New York, New York,
July 25, 2004

