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SECURITIES **04017736** ION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8-44000

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
Aaron Capital, Incorporated  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
5937 Darwin Court, Suite 104

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)  
Carlsbad CA 92008-7363  
(City) (State) (Zip Code)

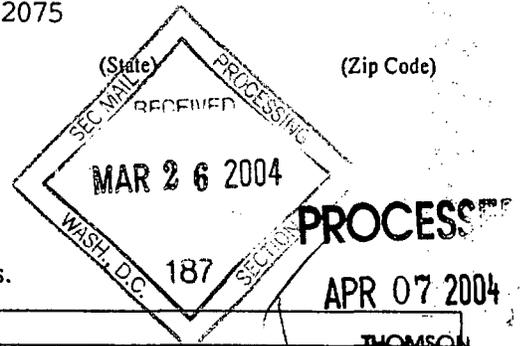
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Nehru Chomatil (760) 602-0378  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Rushall, Reital & Randall

(Name - if individual, state last, first, middle name)  
400 South Sierra Avenue, Suite 200, Solana Beach, CA 92075  
(Address) (City) (State) (Zip Code)

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



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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)

OATH OR AFFIRMATION

I, Nehru Chomatil, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Aaron Capital, Incorporated, as of December 31, 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:

None



Signature  
Nehru Chomatil, President

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.
- (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.
- (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).

**Financial Statements (Audited)**

# **Aaron Capital, Incorporated**

**December 31, 2003 and 2002**



**RUSHALL REITAL & RANDALL**

# RUSHALL REITAL & RANDALL

CERTIFIED PUBLIC ACCOUNTANTS

400 SOUTH SIERRA AVENUE  
SUITE 200  
P.O. BOX 643  
SOLANA BEACH, CA 92075

PHONE (858) 755-5131  
FAX (858) 755-5374

## Independent Auditors' Report

Board of Directors  
Aaron Capital, Incorporated  
Carlsbad, California

We have audited the accompanying statements of financial condition of Aaron Capital, Incorporated as of December 31, 2003 and 2002 and the related statements of operations, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years 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 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 audits 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 audits provide 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 Aaron Capital, Incorporated as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on pages 13 through 16 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

*Rushall Reital & Randall*

March 24, 2004

AARON CAPITAL, INCORPORATED  
STATEMENTS OF FINANCIAL CONDITION

December 31, 2003 and 2002

ASSETS		
	<u>2003</u>	<u>2002</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,089	\$ 462
Clearing deposits	25,147	25,081
Commissions receivable	0	451
Other receivables	3,105	0
Prepaid expenses	<u>3,728</u>	<u>0</u>
Total current assets	34,069	25,994
<b>PROPERTY AND EQUIPMENT, net</b>	<u>10,871</u>	<u>13,911</u>
Total assets	<u><u>\$ 44,940</u></u>	<u><u>\$ 39,905</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 7,822	\$ 1,278
State tax payable	<u>1,646</u>	<u>800</u>
Total current liabilities	<u>9,468</u>	<u>2,078</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common shares, no par, no stated value; 10,000,000 shares authorized; 1,000,000 shares issued and outstanding	253,044	253,044
Additional paid in capital	3,726	0
Stock subscriptions receivable	0	(47,950)
Accumulated deficit	<u>(221,298)</u>	<u>(167,267)</u>
Total stockholders' equity	<u>35,472</u>	<u>37,827</u>
Total liabilities and stockholders' equity	<u><u>\$ 44,940</u></u>	<u><u>\$ 39,905</u></u>

See accompanying notes to financial statements.

AARON CAPITAL, INCORPORATED  
STATEMENTS OF OPERATIONS

Years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
REVENUES		
Commissions	\$ 35,456	\$ 451
EXPENSES		
Salaries	23,650	22,400
Commission	19,116	0
Trading	10,037	0
Regulatory fees	7,605	4,907
Professional fees	4,745	4,906
Outside services	4,711	1,337
Telephone	4,164	1,157
Repairs	4,127	252
Depreciation	3,040	3,040
Payroll taxes	2,508	1,868
Rent	1,589	11,400
Postage	1,302	706
Insurance	1,075	3,650
Office expense	641	2,275
Bank charges	630	600
Licenses and permits	304	1,350
Miscellaneous	75	536
Penalties	46	0
Legal settlement	0	9,975
Entertainment	0	250
Travel	0	223
	<u>89,365</u>	<u>70,832</u>
Operating loss	<u>(53,909)</u>	<u>(70,381)</u>

See accompanying notes to financial statements.

AARON CAPITAL, INCORPORATED  
STATEMENTS OF OPERATIONS

Years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
OTHER INCOME (EXPENSE)		
Interest income	78	120
Rent income	600	700
Interest expense	0	(6)
	<u>678</u>	<u>814</u>
Loss before taxes	(53,231)	(69,567)
Income tax provision	<u>800</u>	<u>800</u>
Net loss	<u>\$ (54,031)</u>	<u>\$ (70,367)</u>

See accompanying notes to financial statements.

AARON CAPITAL, INCORPORATED  
STATEMENTS OF CASH FLOWS

Years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (54,031)	\$ (70,367)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	3,040	3,040
Increase in assets:		
Commissions receivable	451	(451)
Clearing deposits	(66)	(19,634)
Other receivables	(3,105)	0
Prepaid expenses	(3,728)	0
Increase in liabilities:		
Accounts payable	6,544	1,278
State tax payable	846	800
Net cash used by operating activities	(50,049)	(85,334)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	0	(16,951)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from common stock and additional paid in capital	51,676	102,049
Increase (decrease) in cash	1,627	(236)
Cash and cash equivalents at beginning of the year	462	698
Cash and cash equivalents at end of the year	\$ 2,089	\$ 462
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ 0	\$ 6
Taxes paid	\$ 0	\$ 0

See accompanying notes to financial statements.

AARON CAPITAL, INCORPORATED  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2003 and 2002

	Common stock		Additional paid in capital	Stock subscriptions receivable	Accumulated deficit	Total stockholders' equity
	Number of shares	Amount				
Balance at December 31, 2001	10,000	\$ 103,044	\$ 0	\$ 0	(96,900)	\$ 6,144
Net loss					(70,367)	(70,367)
Issuance of common stock	<u>990,000</u>	<u>150,000</u>		<u>(47,950)</u>		<u>102,050</u>
Balance at December 31, 2002	1,000,000	253,044	0	(47,950)	(167,267)	37,827
Net loss					(54,031)	(54,031)
Payment of subscriptions receivable				47,950		47,950
Additional paid in capital	<u>0</u>		<u>3,726</u>			<u>3,726</u>
Balance at December 31, 2003	<u>1,000,000</u>	<u>\$ 253,044</u>	<u>\$ 3,726</u>	<u>\$ 0</u>	<u>(221,298)</u>	<u>\$ 35,472</u>

See accompanying notes to financial statements.

AARON CAPITAL, INCORPORATED  
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIM OF GENERAL CREDITORS

Years ended December 31, 2003 and 2002

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There were no liabilities subordinated to the claim of general creditors as of December 31, 2003 and 2002.

See accompanying notes to financial statements.

AARON CAPITAL, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

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NOTE A: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Aaron Capital, Incorporated (the "Company"), a Texas corporation, is a broker-dealer registered under the Securities Act of 1934. It is qualified to do business in California and conducts a customer business that is cleared through another broker-dealer on a fully disclosed basis in accordance with the exemption under 15c3-3(k)(2)(ii).

The significant accounting policies utilized by the Company are as follows:

Revenue Recognition

Commission revenues are recorded on a trade date basis.

Cash and cash equivalents

The Company considers all highly liquid instruments with an original maturity of 90 days or less at the time of purchase to be cash equivalents. Cash and cash equivalents at December 31, 2003 and 2002 are principally in checking and clearing accounts.

Furniture and equipment

Furniture and equipment are recorded at cost. Depreciation is provided by the straight-line method over statutory periods. The Modified Accelerated Cost Recovery System (MACRS) is being used for income tax purposes.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AARON CAPITAL, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

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NOTE A: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, continued

Income taxes

The Company is a C Corporation and accounts for income taxes in accordance with Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" (SFAS 109). Under the liability method specified by SFAS 109, the deferred tax assets and liabilities are measured each year based on the difference between the financial statement and tax basis of net assets and liabilities at the applicable enacted tax rates. The deferred tax provision is the result of changes in the deferred tax assets and liabilities.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Realization of the deferred income tax asset is dependent on generating sufficient taxable income in future years.

NOTE B: NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2003 and 2002, the Company had net capital of \$17,031 and \$23,414, respectively and a net capital requirement of \$5,000 for both years.

NOTE C: CLEARING AGREEMENT

The Company, as an introducing broker, clears all transactions with and for customers on a fully disclosed basis with a clearing broker and promptly transmits all customers' funds and securities to the clearing broker who carries all of the accounts of such customers. These activities may expose the Company to off-balance sheet risk in the event that the customer and/or clearing broker is unable to fulfill their obligations. The Company does not maintain margin accounts for its customers and, therefore, there were no excess margin securities.

The Company transacts its business with customers located throughout the United States.

NOTE D: RELATED PARTY TRANSACTIONS

For the period January 1 to September 15, 2003, the Company subleased its office space on a month-to-month basis from a partnership which owns virtually all of the Company's stock. The amount representing rent for that period was forgiven.

AARON CAPITAL, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment at December 31 is summarized as follows:

	<u>2003</u>	<u>2002</u>
Office equipment	\$ 13,451	\$ 13,451
Leasehold improvements	<u>3,500</u>	<u>3,500</u>
	16,951	16,951
Less: Accumulated depreciation	<u>(6,080)</u>	<u>(3,040)</u>
	<u>\$ 10,871</u>	<u>\$ 13,911</u>

NOTE F: INCOME TAXES

Deferred taxes are provided for temporary differences in the recognition of certain income and expense items for financial reporting and income tax purposes. Deferred tax assets as of December 31, 2003 and 2002 in the amounts of approximately \$34,800 and \$ 12,800, respectively, are results of net operating loss carryforwards which will expire through 2023 and 2022, respectively. The Company has recorded a 100% valuation allowance against deferred tax assets due to uncertainty of their ultimate realization.

NOTE G: ADDITIONAL PAID IN CAPITAL

The principal shareholder invested \$3,726 in the Company in 2003 in the form of additional paid in capital.

NOTE H: LEASE COMMITMENTS

In September, 2003, the Company entered into a sublease agreement for office space with an unrelated party on a month-to-month basis. The agreement calls for monthly rent of \$700 payable on the first day of each month. Rent expense for 2003 was approximately \$1,600.

AARON CAPITAL, INCORPORATED  
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

For the years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Total stockholders' equity	\$ 35,472	\$ 37,827
Deduct shareholder's equity not allowable	<u>0</u>	<u>0</u>
Total stockholders' equity qualified for net capital	35,472	37,827
Total liabilities subordinated to claims of general creditors allowable in computation of net assets	0	0
Total non-allowable assets	<u>17,704</u>	<u>13,911</u>
Net capital before haircuts on securities positions	17,768	23,916
Less: Haircuts on securities	503	502
Undue concentration	<u>234</u>	<u>0</u>
Net capital	<u>\$ 17,031</u>	<u>\$ 23,414</u>

See accompanying notes to financial statements.

AARON CAPITAL, INCORPORATED  
COMPUTATION OF NET CAPITAL REQUIREMENT PURSUANT TO RULE 15c3-3

For the Year Ended December 31, 2003

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Minimum net capital requirement (6.67% of current liabilities)	\$ 632	
Minimum dollar net capital required	5,000	
Net capital requirement - (the larger of the required net capital)		<u>\$ 5,000</u>
Net capital for year ended December 31, 2003	17,031	
Net capital requirement	5,000	
Excess net capital	12,031	
Excess net capital at 1000% (less 10% of total aggregate indebtedness)		<u>\$ 16,084</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	<u>\$ 9,468</u>
Total aggregate indebtedness	<u>\$ 9,468</u>
Ratio: Aggregate indebtedness to net capital	<u>0.56</u>

See accompanying notes to financial statements.

AARON, CAPITAL, INCORPORATED  
SCHEDULE OF RECONCILIATION PURSUANT TO RULE 17a-5(d)(4)

Year Ended December 31, 2003

Reconciliation of computation of net capital pursuant to Rule 15c3-1

	Dealer's Unaudited Report <u>12/31/03</u>	Audited Report <u>12/31/03</u>	<u>Difference</u>
Total stockholders' equity	\$ 33,625	\$ 35,472	\$ (1,847)
Deduct stockholder's equity not allowed	<u>0</u>	<u>0</u>	<u>0</u>
Total stockholder's equity qualified for net capital	33,625	35,472	(1,847)
Total non-allowable liabilities	0	0	0
Total non-allowable assets	<u>15,056</u>	<u>17,704</u>	<u>(2,648)</u>
Net capital before haircuts on securities positions	18,569	17,768	801
Haircuts on securities	0	(503)	503
Undue concentration	<u>0</u>	<u>(234)</u>	<u>234</u>
Net capital	<u>\$ 18,569</u>	<u>\$ 17,031</u>	<u>\$ 1,538</u>
Schedule A - Reconciliation of stockholder's equity			
Net loss per unaudited statement			\$ (59,346)
Increase in commissions income			8,847
Increase in brokerage, clearing and exchange fees			(9,298)
Decrease in regulatory fees			3,728
Decrease in administration expenses			78
Decrease in depreciation expense			<u>1,960</u>
Net loss, audited report			(54,031)
Capital stock			253,044
Additional paid in capital			3,726
Accumulated deficit, December 31, 2002			<u>(167,267)</u>
Total stockholders' equity			<u>\$ 35,472</u>

See accompanying notes to financial statements.

AARON, CAPITAL, INCORPORATED  
SCHEDULE OF RECONCILIATION PURSUANT TO RULE 17a-5(d)(4), continued

Year Ended December 31, 2003

	Dealer's Unaudited Report <u>12/31/2003</u>	Audited Report <u>12/31/2003</u>	<u>Difference</u>
Schedule B - Reconciliation of non-allowable liabilities:			
Liabilities subordinated to claims of general creditors	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Schedule C - Reconciliation of non-allowable assets:			
Property and equipment - net	\$ 11,951	\$ 10,871	\$ 1,080
Prepaid expenses	0	3,728	(3,728)
Other receivables	<u>3,105</u>	<u>3,105</u>	<u>0</u>
Total non-allowable assets	<u>\$ 15,056</u>	<u>\$ 17,704</u>	<u>\$ (2,648)</u>
Reconciliation of computation of net capital requirement pursuant to Rule 15c3-3			
Minimum net capital requirement (6.67% of current liabilities)	\$ 577	\$ 632	\$ (55)
Minimum dollar net capital required	5,000	5,000	0
Net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 0</u>
Net capital for year ended December 31, 2003	\$ 18,569	\$ 17,031	\$ 1,538
Net capital requirement	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Excess net capital	<u>\$ 13,569</u>	<u>\$ 12,031</u>	<u>\$ 1,538</u>

The difference of \$1,538 is due to the difference of net loss, non-allowables, and haircuts explained in the schedule of reconciliation of net capital pursuant to Rule 15c3-1.

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SUITE 200  
P.O. BOX 643  
SOLANA BEACH, CA 92075

PHONE (858) 755-5131  
FAX (858) 755-5374

Independent Auditors' Report on  
Internal Accounting Control

The Board of Directors  
Aaron Capital, Incorporated  
Carlsbad, California

In planning and performing our audits of the financial statements and supplemental schedules of Aaron Capital, Incorporated (the Company) for the years ended December 31, 2003 and 2002, 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 financial statements 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 (or aggregate debits) 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
3. 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 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 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 financial statements 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 internal control or the practices and procedures referred to above, error 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 and operation of the specific internal control components does not reduce to a relatively low level of risk that error or fraud 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 internal control, including control 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 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 information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, 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.

March 24, 2004

*Rushall Reital & Randall*