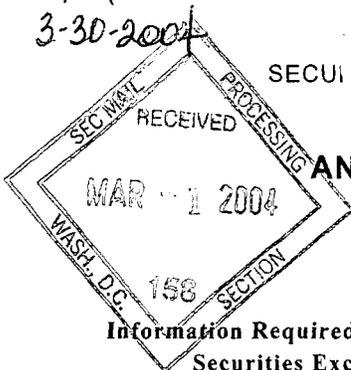


ALP
3-30-2004



SECURITIES AND COMMISSIONS MISSION

OMB APPROVAL
OMB Number: 3234-0123
Expires: October 31, 2004
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART 111**

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 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
Heritage Asset Advisors, LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

5100 Poplar Avenue, Suite 2121

Memphis (No. and Street) **TN** **38137**
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
J. Wesley Grace **901) 322-3900**
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in the Report*

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

PROCESSED
MAR 30 2004
THOMSON FINANCIAL

2120 Powers Ferry Road, Suite 350 **Atlanta** **Georgia** **30339**
(Address) (City) (State) (Zip Code)

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

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.

ALP
3-30-2004

OATH OR AFFIRMATION

I, J. Wesley Grace, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Heritage Asset Advisors, LLC, 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:

**MY COMMISSION EXPIRES:
August 30, 2005**
Ruby G. Baber
Notary Public

J. Wesley Grace
Signature
Chief Financial Officer
Title

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.

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

HERITAGE ASSET ADVISORS, LLC
Financial Statements
For the Year Ended
December 31, 2003
With
Independent Auditor's Report

REPORT OF INDEPENDENT AUDITORS

To the Member
Heritage Asset Advisors, LLC:

We have audited the accompanying statement of financial condition of Heritage Asset Advisors, LLC (a wholly-owned subsidiary of Heritage Capital Advisors, LLC), as of December 31, 2003 and the related statements of operations, changes in member 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 Heritage Asset Advisors, LLC as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III, IV, and V 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.



RUBIO CPA, PC

February 26, 2004
Atlanta, Georgia

HERITAGE ASSET ADVISORS, LLC
STATEMENT OF FINANCIAL CONDITION
December 31, 2003

ASSETS

	<u>2003</u>
Cash and cash equivalents	\$ 12,045
Receivable from clearing broker-dealer	4,111
Deposit with clearing broker	25,000
Other assets	<u>1,324</u>
Total assets	<u>\$ 42,480</u>

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES	\$ _____
Total liabilities	_____ -
MEMBER'S EQUITY	<u>42,480</u>
Total liabilities and member's equity	<u>\$ 42,480</u>

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

HERITAGE ASSET ADVISORS, LLC
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2003

	<u>2003</u>
REVENUES	
Investment banking	\$ 533,892
Other	<u>3,833</u>
	537,725
GENERAL AND ADMINISTRATIVE EXPENSES	
Employee compensation and benefits	668,007
Regulatory licenses and fees	14,445
Communications and information services	54,165
Occupancy	121,640
Other operating expenses	397,128
Chargeoff of receivable from Parent	<u>949,921</u>
	<u>2,205,306</u>
NET LOSS	<u>\$ (1,667,581)</u>

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

HERITAGE ASSET ADVISORS, LLC
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

	2003
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$ (1,667,581)
Noncash items included in net income:	
Writeoff of receivable from related parties	949,921
Depreciation and amortization	27,531
Loss on sale of property	3,626
Changes in operating assets and liabilities:	
Increase in accounts receivable-clearing broker	(779)
Decrease in payables and accrued expenses	(234,777)
Decrease in other assets	43,316
Decrease in deposit with clearing broker-dealer	25,000
NET CASH USED BY OPERATING ACTIVITIES	(853,743)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Transfer to related parties	(658,645)
Proceeds from sale of property and equipment	9,269
NET CASH USED BY INVESTING ACTIVITIES	(649,376)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Capital contributions	1,067,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,067,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(436,119)
 CASH AND CASH EQUIVALENTS:	
Beginning of year	448,164
End of year	\$ <u>12,045</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

During October 2003, the Company became inactive and substantially all of the Company's assets were transferred to related companies in exchange for an account receivable that was subsequently charged off.

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

HERITAGE ASSET ADVISORS, LLC
STATEMENT OF CHANGES IN MEMBER EQUITY
For the Year Ended December 31, 2003

Balance, January 1, 2003	\$ 643,061
Capital contributions	1,067,000
Net loss	<u>(1,667,581)</u>
Balance, December 31, 2003	<u>\$ 42,480</u>

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

HERITAGE ASSET ADVISORS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Heritage Asset Advisors, LLC is a wholly-owned subsidiary of Heritage Capital Advisors, LLC (the Parent), operating in Georgia and Tennessee as a Securities and Exchange Commission (SEC) registered broker-dealer and a member of the National Association of Securities Dealers, Inc. (NASD). The Company has an agreement (Clearing Agreement) with a clearing broker to clear securities transactions, carry customer accounts on a fully disclosed basis, and perform certain record keeping functions. The Company is primarily engaged in retail brokerage services and investment banking.

Cash and Cash Equivalents: The Company considers all cash and money market instruments with a maturity of ninety days or less to be cash and cash equivalents.

Investment Banking: Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing merger-and-acquisition and financial restructuring advisory services. Investment banking management fees are recorded on offering date, sales concessions on settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

Property and Equipment: Property and equipment are recorded at cost. Depreciation is provided by use of straight-line methods over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

Income Taxes: The Company is a limited liability company that is taxed as a partnership. The income or losses of the Company flow through to its owner. Therefore, no income tax effects are reflected in the accompanying financial statements.

HERITAGE ASSET ADVISORS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE B – NET CAPITAL

The Company, as a registered broker dealer is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003, the Company had net capital of \$40,012 which was \$35,012 in excess of its required net capital of \$5,000 and the ratio of aggregate indebtedness to net capital was - to 1.0.

NOTE C – OFF BALANCE SHEET RISK

In the normal course of business, the Company executes securities transactions for its own account and the accounts of its customers. These activities may expose the Company to off balance sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

NOTE D – RELATED PARTIES

The Company has receivables and payables to its Parent and other subsidiaries of the Parent arising in the normal course of business. The receivable from Parent that primarily arose from the transfer of assets to the Parent in preparation for sale of the Company was charged off in the accompanying financial statements.

The Parent is the obligator under leases for office space in Georgia and Tennessee. During 2003, the Company paid approximately \$121,000 in rent expense to the landlords of the Parent which was all of the Parent's obligations under these leases until October 2003.

The Parent is the general partner in a limited partnership which holds investments for some of the Company's employees and advisory directors.

Financial position and results of operations would differ from the amounts in the accompanying financial statements if these related party transactions did not exist.

HERITAGE ASSET ADVISORS, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

NOTE E – PROFIT SHARING PLAN

The Company has a discretionary, contributory profit sharing plan covering substantially all employees. Under the plan, participants may elect to defer up to \$10,500 of their annual compensation as contributions to the plan. Company contributions are made at the discretion of the management of the Company. The Company made no contribution to the plan for the year ended December 31, 2003.

NOTE F – LITIGATION

At December 31, 2002, the Company's Parent was a defendant in a claim related to an investment banking transaction. The matter was settled during 2003 for \$30,000; nothing had been accrued at December 31, 2002.

NOTE G – NET LOSS

The Company had a substantial loss in 2003 and was dependent upon capital contributions for working capital and net capital. Management expects the new owners to reactivate the Company as a going concern and the accompanying financial statements have been prepared on a going-concern basis without adjustments for realization in the event that the Company ceases to be a going concern.

NOTE H – CONCENTRATIONS

During 2003, the Company earned approximately 55% of its investment banking revenues from a single customer.

NOTE I – SUBSEQUENT EVENT

The Company was sold by the Parent on January 5, 2004.

SUPPLEMENTAL INFORMATION

SCHEDULE I
HERITAGE ASSET ADVISORS, LLC
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION ACT OF 1934
AS OF DECEMBER 31, 2003

NET CAPITAL:

Total stockholder's equity	\$ 42,480
Less non-allowable assets:	
Other receivables	(904)
Other assets	<u>(1,324)</u>
Net capital before haircuts	40,252
Less haircuts:	
Money market assets	<u>(240)</u>
Total haircuts	<u>240</u>
Net capital	40,012
Less required capital	<u>(5,000)</u>
Excess net capital	<u>\$ 35,012</u>
Aggregate indebtedness	<u>\$ -</u>
Ratio of aggregate indebtedness to net capital	<u>- to 1.0</u>

RECONCILIATION WITH COMPANY'S COMPUTATION OF NET CAPITAL INCLUDED
IN PART IIA OF FORM X-17A-5 AS OF DECEMBER 31, 2003.

There was no significant difference between net capital as reported in Form X-17A-5 and net capital above.

HERITAGE ASSET ADVISORS, LLC

SCHEDULE II

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
AS OF DECEMBER 31, 2003**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption.

SCHEDULE III

**INFORMATION RELATING TO THE POSSESSION OR CONTROL
REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
AS OF DECEMBER 31, 2003**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption.

HERITAGE ASSET ADVISORS, LLC

SCHEDULE IV

**SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN
SEGREGATION FOR CUSTOMERS' REGULATED COMMODITY FUTURES
AND OPTIONS ACCOUNTS
AS OF DECEMBER 31, 2003**

The Company does not maintain funds, regulated commodity futures and options accounts for customers.

SCHEDULE V

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS AND GENERAL CREDITORS
FOR THE YEAR ENDED DECEMBER 31, 2003**

The broker dealer is in compliance with the conditions for exemption.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL
REQUIRED BY RULE 17a-5**

To the Member
Heritage Asset Advisors, LLC

In planning and performing our audit of the financial statements of Heritage Asset Advisors, LLC for the year ended December 31, 2003, we considered its internal control structure, 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 test of compliance with such practices and procedures) followed by Heritage Asset Advisors, LLC that we considered relevant to the objective stated in Rule 17a-5(g). We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedure for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company related to the following: (1) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (2) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control 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 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 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 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 the 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, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. 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.

February 26, 2004
Atlanta, Georgia



RUBIO CPA, PC