

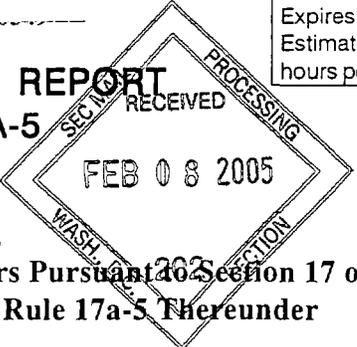
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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**



SEC FILE NUMBER
8- 52584

**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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Anderson LeNeave & Company  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
5935 Carnegie Boulevard, Suite 103  
(No. and Street)  
Charlotte North Carolina 28209  
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Cherry, Bekaert & Holland, L.L.P.  
(Name - if individual, state last, first, middle name)  
525 N. Tryon St., Suite 1800, Charlotte, North Carolina 28202  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

**PROCESSED**  
**FEB 16 2005**

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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)

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OATH OR AFFIRMATION

I, Greg LeNeave, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Anderson LeNeave & Company, as of December, 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:

Greg M. LeNeave  
Signature

President  
Title

James S. Harris  
Notary Public

*My Commission Expires: 4/28/09*

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss) and Retained Earnings
- (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.

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

ANDERSON LENEAVE & CO.

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## Report of Independent Certified Public Accountants

To the Stockholders of  
Anderson LeNeave & Co.  
Charlotte, North Carolina

We have audited the accompanying statement of financial condition of Anderson LeNeave & Co. (the "Company") as of December 31, 2004 and the related statements of income and retained earnings and cash flows for the year then ended. 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 Anderson LeNeave & Co. as of December 31, 2004, 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.

*Cherry, Bekaert & Holland, L.L.P.*

Charlotte, North Carolina  
January 14, 2005

## Anderson LeNeave &amp; Co.

## Statement of Financial Condition

## Assets

	<u>December 31,</u> <u>2004</u>
Cash and cash equivalents	\$ 86,185
Accounts receivable	9,765
Property and equipment, net of accumulated depreciation	10,043
Prepaid expenses and other assets	<u>8,435</u>
<b>Total assets</b>	<b>\$ <u><u>114,428</u></u></b>

## Liabilities and Stockholder's Equity

Accrued expenses	\$ <u>343</u>
<b>Total liabilities</b>	<b>343</b>
Common stock, no par value, 100,000 shares authorized, 66 shares issued and outstanding	66
Retained earnings	<u>114,019</u>
<b>Total Stockholder's Equity</b>	<b><u>114,085</u></b>
<b>Total liabilities and Stockholder's Equity</b>	<b>\$ <u><u>114,428</u></u></b>

See notes to financial statements.

## Anderson LeNeave &amp; Co.

## Statements of Income and Retained Earnings

	<b>Year Ended December 31, 2004</b>
<b>Revenues</b>	
Success fees	\$ 1,245,860
Advisory fees	142,500
Referral fees	27,667
Other income	<u>105,872</u>
<b>Total revenues</b>	<u>1,521,898</u>
<b>Expenses</b>	
Compensation and benefits	664,263
Contract Services	210,332
Rent	40,473
Insurance	16,815
Professional fees	7,480
Payroll taxes	19,405
Depreciation	8,600
Other operating expenses	<u>63,815</u>
<b>Total expenses</b>	<u>1,031,183</u>
<b>Net income</b>	490,716
<b>Retained Earnings</b>	
Beginning balance	45,777
Distributions	(422,474)
Ending balance	<u>\$ 114,019</u>

See notes to financial statements.

## Anderson LeNeave &amp; Co.

## Statement of Cash Flows

	<b>Year Ended December 31, 2004</b>
<b>Cash flows from operating activities</b>	
Net income	\$ 490,716
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	8,600
(Increase) in receivables	(8,379)
Decrease in prepaid expenses and other assets	2,480
(Decrease) in accrued expenses	<u>(633)</u>
Net cash provided by operating activities	<u>492,784</u>
<b>Cash flows from financing activities</b>	
Distributions to stockholders	(422,474)
Net cash used in financing activities	<u>(422,474)</u>
Net increase in cash and cash equivalents	<u>70,310</u>
Cash and cash equivalents at beginning of year	<u>15,875</u>
Cash and cash equivalents at end of year	<u><u>\$ 86,185</u></u>

See notes to financial statements.

**ANDERSON LENEAVE & CO.**

Notes to Financial Statements  
December 31, 2004

**Note 1 - Nature of operations**

Anderson LeNeave & Co. (the "Company"), a North Carolina corporation, is a full-service investment banking firm providing corporate finance services, including merger and acquisition advisory services and private financing placement and advisory services to middle market companies. The Company has elected to be registered as a broker-dealer and thus is subject to various rules and regulations promulgated by the Securities and Exchange Commission (SEC). Accordingly, the accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to brokers and dealers in securities.

**Note 2 - Summary of significant accounting policies****Cash equivalents**

For purposes 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.

**Property and equipment**

The Company capitalizes all major expenditures according to accounting principles generally accepted in the United States of America. The Company's policy is to expense fixed asset purchases under \$1,000. Fixed assets are stated at cost and depreciated over their estimated useful lives using the straight-line method. The depreciable life for furniture, fixtures and equipment is seven years. The depreciable life for computer hardware, software and phone system is five years.

**Use of estimates in the preparation of financial statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

**Fee Revenue**

The Company's revenues are generated primarily through providing merger and acquisition- and private financing placement-related advisory services. The Company receives non-refundable, upfront advisory fees in most transactions. Due to the extensive research and analysis performed for the client prior to the execution of a services agreement, the Company recognizes upfront advisory fees as revenue upon receipt. Upfront fees typically represent less than 10% of the expected revenue from a transaction. The remainder of any fee due to the Company is typically paid only upon the closing of a related transaction.

The Company receives referral fees and a percentage of quarterly maintenance fees for referrals made to a customer, provided the referral enrolls in the customer's services. The Company is entitled to receive referral fees for as long as the referral remains enrolled in the customer's service. Referral fees are recognized when earned based upon the terms of signed agreements. Revenues from advisory fee arrangements are deferred and recognized in the period earned.

**ANDERSON LENEAVE & CO.**

Notes to Financial Statements  
December 31, 2004

**Note 2 - Summary of significant accounting policies (continued)**

Other revenues relate primarily to billable transaction costs. Billable transaction costs include travel, other out-of-pocket expenses, reproduction and other transaction costs incurred by the Company that are billed to customers under the terms of agreements in place with those customers. These costs are expensed as incurred and billed in accordance with the agreed-upon terms.

**Advertising**

Advertising costs are expenses as incurred.

**Income taxes**

The Company has elected to be treated as an S Corporation for state and federal income tax purposes. As such, substantially all income of the Company is reported by the stockholders on their individual income tax returns. Accordingly, no provision for income taxes has been included in the accompanying financial statements

**Note 3 - Property and equipment**

Fixed assets at December 31, 2004, consists of the following:

Computer and equipment	\$19,219
Furniture and fixtures	25,000
Computer software	3,711
Total fixed assets, gross	<u>47,930</u>
Less: Accumulated depreciation	<u>(37,887)</u>
Total fixed assets, net	<u>\$10,043</u>

**Note 4 – Capital requirements**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital of \$5,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The net capital and net capital ratio, which agree with our Focus Report as of December 31, 2004, were as follows:

Net capital	\$85,842
Net capital ratio (ratio of indebtedness to capital)	Less than 1%

**Note 5 – Part I, Form X-17a-5:**

The most recent annual report of the Company is available for examination and copying at the office of the Company and at the Atlanta Regional Office of the Securities and Exchange Commission.

**ANDERSON LENEAVE & CO.**

Notes to Financial Statements  
December 31, 2004

**Note 6 - Profit sharing plan**

Employees of the Company who are at least 21 years old and have completed one year of service are eligible to participate in the Anderson LeNeave & Co. Profit Sharing Plan (the Plan).

The Plan allows the Company to make discretionary contributions on behalf of eligible employees of up to 15% of each employee's compensation. The Company made a discretionary contribution of \$110,000 to the Plan for the year ended December 31, 2004. Participants vest in their portion of employer contributions over a five-year period.

**Note 7 - Supplemental cash flow information**

As the Company has elected to be treated as an S Corporation for state and federal income tax purposes, no cash was paid for income taxes in 2004. The Company did not incur interest expense in 2004. Accordingly, no cash was paid for interest during 2004.

**Note 8 - Operating lease**

In November 2000, the Company entered into a non-cancelable lease for office space which expires in November 2005. This lease is accounted for as an operating lease.

Future minimum lease payments at December 31, 2004 are as follows:

<u>Year</u>	<u>Amount</u>
2005	36,446

Lease expense was \$40,473 for the year ended December 31, 2004.

**Note 9 - Concentration of Credit Risk**

The Company places its cash and cash equivalents on deposit with a North Carolina financial institution. The balance at the financial institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. From time-to-time, the Company may have balances in excess of the FDIC insured limit.

**ACCOMPANYING INFORMATION**



**Report of Independent Certified Public Accountants  
on Accompanying Information**

To the Stockholders of  
Anderson LeNeave & Co.  
Charlotte, North Carolina

We have audited the accompanying financial statements of Anderson LeNeave & Co. as of and for the year ended December 31, 2004, and have issued our report thereon dated January 14, 2005. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information on pages ten and eleven 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.

*Cherry Bekaert & Holland, L.L.P.*

Charlotte, North Carolina  
January 14, 2005

**Anderson LeNeave & Co.**

## Computation of Net Capital and Net Capital Ratio

Rule 15c3-1

	<b>Year Ended December 31, 2004</b>
Stockholder's Equity	\$ <u>114,085</u>
Less:	
Property and equipment, net of accumulated depreciation	10,043
Other nonallowable assets	18,200
	<u>28,243</u>
Net capital	\$ <u><u>85,842</u></u>
Aggregate indebtedness	\$ <u><u>343</u></u>
Ratio of indebtedness to capital	<u><u>0.40%</u></u>

**ANDERSON LENEAVE & CO.**

Material Inadequacies - Rule 17a-5(j)

Year Ended December 31, 2004

Material Inadequacy

Corrective Action Taken or Proposed

None

Not applicable



## Report on Internal Control Required by SEC Rule 17a-5

To the Stockholders of  
Anderson LeNeave & Co.  
Charlotte, North Carolina

In planning and performing our audit of the financial statements of Anderson LeNeave & Co. (the "Company") for the year ended December 31, 2004, 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 (the "Commission"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons
2. Recording 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.

Management 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 Commission'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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the 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 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, 2004, to meet the Commission's objectives.

This report is intended solely for the use of the Company's management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Cheng, Beckett & Holland, L.L.P.*

Charlotte, North Carolina  
January 14, 2005