

SECURITIES



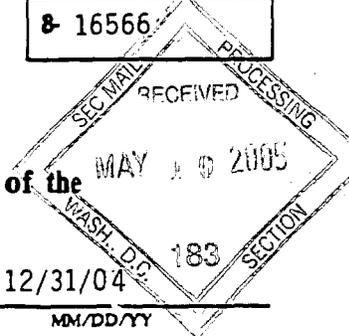
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**ANNUAL AUDITED REPORT  
 FORM X-17A-5 (A)  
 PART III**

SEC FILE NUMBER  
 8- 16566



**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:  
 A.R. SCHMEIDLER & CO., INC.

OFFICIAL USE ONLY  
 FIRM ID. NO.

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

(No. and Street)  
 New York NY 10017-2416  
(City) (State) (Zip Code)

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

Mr. Peter G. Kandel, Jr. V.P. 212-687-9800  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

LIPSKY, GOODKIN & CO., P.C.  
(Name - if individual, state last, first, middle name)  
 120 WEST 45TH STREET NEW YORK NY 10036  
(Address) (City) (State) (Zip Code)

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

PROCESSED  
 MAY 12 2005  
 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).

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OATH OR AFFIRMATION

I, PETER G. KANDEL, JR., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of A.R. SCHMEIDLER & CO., INC., as of December 31, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

STATE OF NEW YORK  
COUNTY OF NEW YORK

*Peter G. Kandel Jr*  
Signature

VICE PRESIDENT - TREASURER  
Title

*Elizabeth M. Cancel*  
Notary Public 05/09/05

ELIZABETH M. CANCEL  
Notary Public, State of New York  
No. 01CA6077508  
Qualified in Kings County  
Commission Expires July 15, 2006

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 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).

A. R. SCHMEIDLER & CO., INC.  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL MATERIAL  
PER SEC RULE X-17A-5  
DECEMBER 31, 2004 AND 2003

(WITH INDEPENDENT AUDITORS' REPORT)

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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
N. Y. STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
A. R. Schmeidler & Co., Inc.

We have audited the accompanying statements of financial condition of A. R. Schmeidler & Co., Inc. as of December 31, 2004 and 2003, and the related statements of operations, changes in stockholder's equity 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 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 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 A. R. Schmeidler & Co., Inc. as of December 31, 2004 and 2003, 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental material listed in the accompanying table of contents 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 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.

*Lipsky, Goodkin & Co., P.C.*

February 11, 2005

A. R. SCHMEIDLER & CO., INC.

STATEMENTS OF FINANCIAL CONDITION

	Years Ended December 31,	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 673,324	\$ 23,217
Receivable from brokers	30,825	159,735
Advisory fees receivable	4,292	10,440
Securities owned at fair value:		
Stocks and corporate bonds	-	10,458,424
Accrued interest and dividends receivable	-	5,773
Property and equipment, at cost, net of accumulated depreciation (\$351,479 in 2004 and \$336,395 in 2003)	15,222	8,035
Goodwill	4,301,964	-
Other intangibles	2,920,071	-
Other assets	<u>25,639</u>	<u>58,403</u>
<u>TOTAL ASSETS</u>	<u>\$ 7,971,337</u>	<u>\$ 10,724,027</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$ 10,997	\$ 14,656
Income taxes payable	<u>160,189</u>	<u>-</u>
Total liabilities	<u>171,186</u>	<u>14,656</u>

COMMITMENTS (Note 5)

STOCKHOLDER'S EQUITY

Common stock - \$.01 par value - authorized 100,000 shares; issued and outstanding - 20,000 shares	200	200
Additional paid-in capital	7,620,438	7,300
Retained earnings	<u>179,513</u>	<u>10,701,871</u>
Total stockholder's equity	<u>7,800,151</u>	<u>10,709,371</u>

<u>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</u>	<u>\$ 7,971,337</u>	<u>\$ 10,724,027</u>
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See Notes to Financial Statements.

A. R. SCHMEIDLER & CO., INC.

STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
Investment advisory fees	\$ 4,025,586	\$3,471,096
Commissions	317,755	369,113
Interest and dividends	97,607	140,321
Realized gain on investments	2,097,071	159,385
Net change in unrealized gain (loss) on investments	<u>(3,246,550)</u>	<u>3,375,489</u>
Total revenues	<u>3,291,469</u>	<u>7,515,404</u>
<u>EXPENSES</u>		
Employee compensation and benefits	1,850,193	1,698,026
Communications	101,066	91,973
Occupancy costs	385,692	366,514
Other operating expenses	349,418	349,763
Taxes other than income	<u>144,945</u>	<u>134,137</u>
Total expenses	<u>2,831,314</u>	<u>2,640,413</u>
<u>INCOME BEFORE INCOME TAXES</u>	460,155	4,874,991
Income Taxes	<u>240,015</u>	<u>118,000</u>
<u>NET INCOME</u>	<u>\$ 220,140</u>	<u>\$4,756,991</u>

See Notes to Financial Statements.

A. R. SCHMEIDLER & CO., INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

Year Ended  
December 31, 2003

<u>COMMON STOCK</u>	\$ <u>200</u>
<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>7,300</u>
<u>RETAINED EARNINGS</u>	
<u>ACCUMULATED ADJUSTMENTS ACCOUNT</u>	
Balance, January 1,	4,596,162
Income before unrealized gain	1,381,502
Distributions	<u>(1,009,743)</u>
Balance, December 31,	<u>4,967,921</u>
<u>OTHER RETAINED EARNINGS</u>	
Balance, January 1,	2,358,461
Unrealized gain on investments	<u>3,375,489</u>
Balance, December 31,	<u>5,733,950</u>
<u>RETAINED EARNINGS</u>	<u>10,701,871</u>
<u>TOTAL STOCKHOLDER'S EQUITY</u>	<u>\$10,709,371</u>

Year Ended  
December 31, 2004

<u>COMMON STOCK</u>	\$ <u>200</u>
<u>ADDITIONAL PAID-IN CAPITAL</u>	
Balance, January 1,	7,300
Contributions	7,421,340
Transferred from retained earnings	192,500
Withdrawal	<u>(702)</u>
<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>7,620,438</u>
<u>RETAINED EARNINGS</u>	
Balance, January 1,	10,701,871
Net income	220,140
Transferred to additional paid-in capital	(192,500)
Distributions	<u>(10,549,998)</u>
<u>RETAINED EARNINGS</u>	<u>179,513</u>
<u>TOTAL STOCKHOLDER'S EQUITY</u>	<u>\$ 7,800,151</u>

See Notes to Financial Statements.

A. R. SCHMEIDLER & CO., INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income	\$ 220,140	\$4,756,991
Adjustments to reconcile net income to cash provided by operating activities:		
Change in unrealized (gain) loss on securities	3,246,550	(3,375,489)
Depreciation and amortization	114,389	19,216
Changes in:		
Receivable from brokers	128,910	(43,970)
Advisory fees receivable	6,148	(9,298)
Securities owned (cost)	7,211,874	(264,900)
Interest and dividends receivable	5,773	1,737
Other assets	32,764	(33,725)
Income taxes payable	160,189	-
Accounts payable and accrued expenses	(3,659)	(8,149)
Securities sold, not yet purchased	-	(15,320)
Total adjustments	10,902,938	(3,729,898)
Net cash provided by operating activities	11,123,078	1,027,093
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(22,271)	(11,938)
Net cash used by investing activities	(22,271)	(11,938)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Contributions to paid-in capital	100,000	-
Distributions to shareholders	(10,550,700)	(1,009,743)
Net cash used by financing activities	(10,450,700)	(1,009,743)
Net increase in cash	650,107	5,412
Cash - beginning of year	23,217	17,805
<u>CASH - END OF YEAR</u>	\$ 673,324	\$ 23,217

See Notes to Financial Statements.

A. R. SCHMEIDLER & CO., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTE 1 - ORGANIZATION

A. R. Schmeidler & Co., Inc. (the "Company") was incorporated in New York State in 1971 and is a broker dealer registered with the U.S. Securities and Exchange Commission. Its principal source of income is derived from investment advisory fees.

On October 1, 2004 the stock of the Company was acquired for an initial cost of \$7,321,340 plus five annual earn outs of 80% of the Company's pre-tax earnings. The purchase price in excess of fair value of net assets acquired have been allocated to goodwill and other intangibles. The earn out payments are accounted for as additional purchase price, which increases the recorded goodwill. The business and operation of the Company will continue in the same manner as before as a subsidiary of the purchaser. Included in the financial statements are the operations for the entire year.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements.

(a) Securities' Transactions

The Company records all of its transactions on an accrual basis for reporting purposes; security purchases and sales (and related commission revenue and expense) are reported as of the trade date and dividend income on the ex-dividend date.

(b) Security Valuation

Marketable securities are valued at fair value based upon the quoted market price for each security.

(c) Depreciation

Depreciation is provided by both the straight-line and accelerated method over the estimated useful lives of three to seven (3-7) years.

(d) Income Taxes

Prior to October 1, 2004, the Company and its stockholders' elected to report as an S Corporation for Federal and New York State income tax purposes. Therefore, income taxes reflected primarily income tax due to New York City since the Company's income was passed through to the stockholders for Federal and State purposes. Deferred income taxes were immaterial and were not provided for. Beginning October 1, 2004, Federal, New York State and City income taxes will be provided for. Deferred tax assets of \$7,465 have been provided for on deductible temporary differences relating to amortization of intangibles.

(e) Use of Estimates

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

A. R. SCHMEIDLER & CO., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTE 3 - GOODWILL AND OTHER INTANGIBLES

The cost of the stock of the Company in excess of the underlying fair value of net assets at October 1, 2004 is recorded as goodwill and assessed annually for impairment. If considered impaired, goodwill will be written down to fair value and a corresponding impairment loss recognized. Goodwill is being reduced by the income tax benefits of the amortization of the customer list and non-compete agreement.

Additional intangible assets consisting of purchased customer list and non-compete agreement were recorded for \$2,470,000 and \$516,000, respectively, and are subject to amortization over their estimated useful lives of 13 and 7 years.

The components of intangible assets are as follows as of December 31, 2004:

	<u>Gross Carrying Amount</u>	<u>Accumulated Adjustments and Amortization</u>	<u>Net Carrying Amount</u>
Goodwill	\$ 4,335,340	\$ 33,376	\$ 4,301,964
Customer list	2,470,000	47,500	2,422,500
Non-compete agreement	<u>516,000</u>	<u>18,429</u>	<u>497,571</u>
Total	<u>\$7,321,340</u>	<u>\$ 99,305</u>	<u>\$7,222,035</u>

NOTE 4 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

	<u>2004</u>	<u>2003</u>
Cash paid during year for:		
Interest	\$ 1,545	\$ 2,616
Income taxes	\$ 64,932	\$153,988

The acquiring company paid the purchase price of \$7,321,340 directly to the stockholder's of the Company. These payments are recorded as a contribution to additional paid-in-capital.

NOTE 5 - COMMITMENTS

In April, 2002, the Company extended its current lease from August 1, 2002 through December 31, 2006. The minimum annual rental under the renewal lease through December 31, 2006 is \$359,464 and subject to increases in the landlord's operating expenses. Total rent expense was \$371,301 and \$352,784 for the years ended December 31, 2004 and 2003, respectively.

Future minimum rental commitments are payable as follows:

Through December 31, 2006	<u>\$718,928</u>
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The Company has a security deposit in the amount of \$10,621 for its leased office space.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTE 6 - CUSTOMER MANAGEMENT

The Company does not retain customer's cash and securities. All customer transactions are cleared through another broker-dealer on a fully disclosed basis. However, if customers' checks or securities are received, the Company's personnel immediately deliver these checks and securities to the clearing broker.

NOTE 7 - PROFIT SHARING PLAN

The Company has a profit-sharing plan covering substantially all full-time employees. Contributions of \$3,800 and \$10,000 for both the years ended December 31, 2004 and 2003, were authorized and approved by the Board of Directors.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various investment securities transactions in which counterparties primarily include broker-dealers and banks. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

The Company has bank deposits which at times may exceed federally insured limits.

NOTE 9 - NET CAPITAL REQUIREMENT

Pursuant to Rule 15c3-1 of the Securities and Exchange Commission, the Company is required to maintain a minimum "net capital" as defined under such rule.

As of December 31, 2004 and 2003, the Company's net capital was computed to be \$532,713 and \$8,784,272, exceeding its minimum requirements of \$100,000 by \$432,713 and \$8,684,272, respectively.

NOTE 10 - FOCUS REPORT

A copy of the Company's Statement of Financial Condition as of December 31, 2004, pursuant to S.E.C. Rule 17a-5 is available for inspection at the Company's office at 555 Fifth Avenue, New York, New York 10017, and at the regional office of the Securities and Exchange Commission.

A. R. SCHMEIDLER & CO., INC.

SUPPLEMENTAL MATERIAL

DECEMBER 31, 2004

A. R. SCHMEIDLER & CO., INC.

COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS

IN ACCORDANCE WITH RULE 15c3-1 UNDER THE S.E.C. ACT OF 1934

DECEMBER 31, 2004

NET CAPITAL

Common stock	\$ 200
Additional paid-in capital	7,620,438
Retained earnings	<u>179,513</u>
	7,800,151
Less: Non-allowable assets	<u>7,267,438</u>
Net capital	<u>\$ 532,713</u>

AGGREGATE INDEBTEDNESS:

Accounts payable and accrued expenses	\$ 10,997
Income taxes payable	<u>160,189</u>
Total aggregate indebtedness	<u>\$ 171,186</u>

CAPITAL REQUIREMENTS

Minimum dollars net capital required	\$ 100,000
6-2/3% of aggregate indebtedness	<u>\$ 11,413</u>
Greater of capital requirements	\$ 100,000
Excess net capital	<u>432,713</u>
Net capital	<u>\$ 532,713</u>

See Notes to Financial Statements.

A.R. SCHMEIDLER & CO., INC.  
STATEMENT PURSUANT TO SEC

RULE 17A - 5(D)(4)

DECEMBER 31, 2004

The Company's focus report for the period ending December 31, 2004 is in agreement with our report dated February 11, 2005 except for the following material items:

	<u>Auditors'</u> <u>Report</u>	<u>Focus</u> <u>Report</u>	<u>Difference</u>
Goodwill	\$4,301,964	\$ -	\$4,301,964
Other intangibles	2,920,071	-	2,920,071
Other assets (tax assets)	<u>7,465</u>	<u>-</u>	<u>7,465</u>
Total	<u>7,229,500</u>	<u>-</u>	<u>7,229,500</u>
Total liabilities	171,186	227,550	(56,364)
Additional paid-in capital	7,620,438	299,800	7,320,638
Retained earnings	<u>179,513</u>	<u>214,286</u>	<u>(34,773)</u>
Total	<u>7,971,137</u>	<u>741,636</u>	<u>7,229,501</u>
Net capital	532,713	476,348	56,365
Aggregate indebtedness	171,186	227,550	(56,364)
Excess net capital	432,713	376,348	56,365

A.R. SCHMEIDLER & CO., INC.

INFORMATION RELATING TO THE POSSESSION OR  
CONTROL REQUIREMENTS UNDER SEC RULE 15C 3-3

DECEMBER 31, 2004

The Company is exempt from rule 15c 3-3 as all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

<u>Clearing Firm SEC No.</u>	<u>Name</u>	<u>Product Code</u>
8-30453	Fiserv Securities, Inc.	All
8-43724	Bear, Stearns Securities Corp.	All