

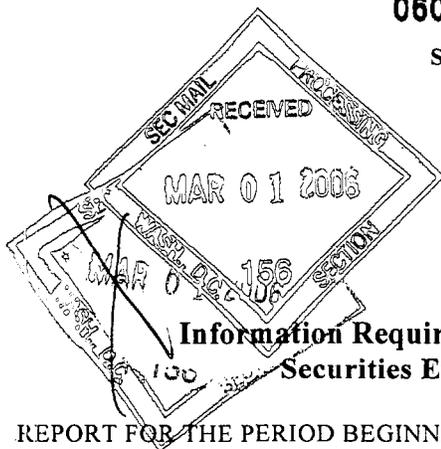


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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

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 January 1, 2005 AND ENDING December 31, 2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Sturdivant & Co. Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

Plaza 1000 at Main Street, Suite 200

(No. and Street)

Voorhees

New Jersey

08023

(City)

(State)

(Zip Code)

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\*

Mitchell & Titus, LLP

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

1818 Market Street

Philadelphia

PA

19103

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED  
JUN 06 2006  
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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SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Harvey deKrafft, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of \_\_\_\_\_, as of December 31, 2005, 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:

Harvey R. deKrafft  
Signature

Managing Director  
Title

[Signature]  
Notary Public

DEANN M. COX  
NOTARY PUBLIC OF NEW JERSEY  
Commission Expires 9/19/06

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 15c3-1 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).

(X) (o) Independent auditor's report on internal control structure required by SEC Rule 17A-5 for a broker dealer, claiming an exemption from Rule 15c3-3

**STURDIVANT & CO., INC.**

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**Mitchell & Titus, LLP**

Certified Public Accountants  
and Consultants

1818 Market Street  
Philadelphia, PA 19103  
Tel (215) 561-7300  
Fax (215) 569-8709  
philadelphia.office@mitchelltitus.com

## INDEPENDENT AUDITORS' REPORT

The Stockholder of  
Sturdivant & Co., Inc.  
Voorhees, New Jersey

We have audited the accompanying statements of financial condition of Sturdivant & Co., Inc. (the "Company") as of December 31, 2005 and 2004 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 Sturdivant & Co., Inc. at December 31, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

*Mitchell & Titus, LLP*

Philadelphia, Pennsylvania  
February 7, 2006

**STURDIVANT & CO., INC.**  
*Statements of Financial Condition*  
*As of December 31, 2005 and 2004*

|  | 2005         | 2004         |
|--|--------------|--------------|
| <b>ASSETS</b>  |              |              |
| Cash and cash equivalents  | \$ 888,810   | \$ 1,175,983 |
| Receivable from clearing broker  | 139,149      | 116,781      |
| Investment advisory fees receivable  | 84,631       | 90,000       |
| Property and equipment, net  | -            | 1,066        |
| Investments  | 37,798       | 36,161       |
| Other assets   | 13,423       | 13,923       |
| Total assets   | \$ 1,163,811 | \$ 1,433,914 |
| <br><b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                              |              |              |
| Liabilities  |              |              |
| Accounts payable and accrued expenses  | 43,244       | 83,415       |
| Profit-sharing contributions payable   | 1,865        | 90,000       |
| Note Payable to NASD   | 8,179        | -            |
| Due to S&D Holdings, LLC   | -            | 125,000      |
| Total liabilities  | 53,288       | 298,415      |
| Stockholder's equity   |              |              |
| Common stock, no par value, authorized 1,000 shares,<br>issued 594.22 shares | 99,361       | 99,361       |
| Additional paid-in capital   | 2,770,877    | 2,770,877    |
| Retained earnings  | (109,715)    | (84,739)     |
| Less: Treasury stock, at cost<br>(common stock - 59.36 shares)               | (1,650,000)  | (1,650,000)  |
| Total stockholder's equity   | 1,110,523    | 1,135,499    |
| Total liabilities and stockholder's equity                                   | \$ 1,163,811 | \$ 1,433,914 |

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

**STURDIVANT & CO., INC.**  
*Notes to Statements of Financial Condition*  
*December 31, 2005 and 2004*

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**1. ORGANIZATION AND OPERATIONS**

Sturdivant & Co., Inc. (the "Company") is a broker-dealer located in Voorhees, New Jersey and its operations primarily consist of securities transactions on an agency basis and investment advisory services. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers Regulation, Inc. (NASD).

The Company is a wholly owned subsidiary of S&D Financial Holdings, LLC (S&D). The two officers of the Company are the sole members of S&D.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Company's financial statements are prepared on the accrual basis of accounting.

Securities Transactions

Securities transactions and related commission income and expenses are recorded on a trade-date basis. Underwriting fees are recorded at the time the underwriting has been completed, and the amount of the fees is reasonably determinable.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Significant additions or improvements extending the asset lives are capitalized; normal maintenance and repair costs are expensed as incurred. The Company provides for depreciation as follows:

| <u>Asset</u>           | <u>Estimated Useful Life</u> | <u>Method</u>            |
|------------------------|------------------------------|--------------------------|
| Furniture and fixtures | 5 years                      | Double-declining balance |
| Computer equipment     | 5 years                      | Double-declining balance |

**STURDIVANT & CO., INC.**  
*Notes to Statements of Financial Condition*  
*December 31, 2005 and 2004*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements on a current basis plus deferred taxes for operating losses that are available to offset future taxable income. The Company evaluates that realization of deferred tax assets resulting from net operating loss available to offset future income.

The Company is a "C" Corporation under the internal revenue code.

Investments

The Company has an investment in the common stock of an unrelated, privately held company. The equity investment is accounted for at fair value, which the Company has estimated is at or near the cost of the investment, which is \$25,000 at December 31, 2005 and 2004.

The Company also has an investment in a joint venture entity that operates as an investment advisory firm. The Company has the ability to exercise significant control over the entity; therefore, its' investment in this entity is accounted for under the equity method of accounting. Equity method investments are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of net income and losses after the date of the investment, additional contributions made, distributions received and impairment losses resulting from adjustments to net realizable value. The Company shares in one hundred percent of certain income generated and sixty percent of the remaining net income generated by the entity. The carrying value of the investment was \$12,798 and 11,161 at December 31, 2005 and 2004, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of ninety days or less.

Treasury Stock

Treasury stock is accounted for under the cost method. Under the cost method, the gross cost of the shares reacquired is charged to treasury stock in the statement of financial condition.

**STURDIVANT & CO., INC.**  
*Notes to Statements of Financial Condition*  
*December 31, 2005 and 2004*

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of Estimates

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. Actual results could differ from those estimates.

**3. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, is as follows:

|  | <u>2005</u>    | <u>2004</u>     |
|--|----------------|-----------------|
| Furniture and fixtures                             | \$ 212,808     | \$ 212,808      |
| Computer equipment                                 | <u>27,727</u>  | <u>27,727</u>   |
|  | 240,535        | 240,535         |
| Less: accumulated depreciation<br>and amortization | <u>240,535</u> | <u>239,469</u>  |
|  | <u>\$ -</u>    | <u>\$ 1,066</u> |

**4. COMMITMENTS AND CONTINGENCIES**

The Company has clearance agreements with four clearing brokers. Pursuant to the agreements with two of the brokers, the Company is required to maintain minimum net capital of \$75,000 and \$150,000, respectively. S&D's stockholders have provided personal guarantees under the agreements with two of its clearing brokers.

The Company is obligated under an operating lease extension for office space, which commenced in October 2003 and expired in September 2005 for monthly rent of \$5,390. The Company renewed the lease in September 2005 for monthly rent of \$5,862 and \$5,996 through September 2006 and September 2007, respectively. This lease expires September 30, 2007. The lease contains a provision requiring the Company to pay property taxes and certain operating expenses, which exceed base period amounts.

In the normal course of business, the Company enters into underwriting commitments. At December 31, 2005 and 2004 there were no open underwriting commitments.

**STURDIVANT & CO., INC.**  
*Notes to Statements of Financial Condition*  
*December 31, 2005 and 2004*

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**5. NOTE PAYABLE TO NASD**

The Company signed a promissory note to pay a penalty assessed by the NASD over a two year period. Under the terms of the agreement, amounts are payable in equal monthly installments of \$515, at an interest rate of 3% over the prime rate (which was 7.25% at December 31, 2005), until May 2007. Amounts payable to the NASD under this agreement at December 31, 2005 totaled \$8,179. The Company is expected to pay \$5,674 and \$2,505, plus interest, in 2006 and 2007, respectively.

**6. 401(K) PROFIT-SHARING PLAN**

The Company's 401(K) profit-sharing plan covers substantially all of its employees who meet certain eligibility requirements. Matching contributions by the Company to the plan are made at the discretion of the Board of Directors.

**7. NET CAPITAL REQUIREMENTS**

The Company is a member of the NASD, and is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1, and that equity capital may not be withdrawn, cash dividends paid or the Company's operations expanded, if the resulting net capital ratio would exceed 10 to 1. At December 31, 2005 and 2004, the Company's net capital was \$974,671 and \$994,349, respectively, which was \$874,671 and \$894,349, respectively, in excess of its minimum requirement of \$100,000.

**8. INCOME TAXES**

At December 31, 2005 and 2004, the Company had net operating loss carryforwards of approximately \$48,000 and \$27,000, respectively. The tax net operating loss carryforwards are available to offset future taxable income. These carryforwards expire between the years 2024 and 2025.

Given the uncertainty relating to the Company's ability to ultimately benefit from its net operating loss carryforwards, the Company has provided a significant valuation allowance against its net deferred tax asset.

**9. EXEMPTION FROM RULE 15c3-3**

The Company is exempt from the SEC Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

**STURDIVANT & CO., INC.**  
*Notes to Statements of Financial Condition*  
*December 31, 2005 and 2004*

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**10. OFF BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK**

Pursuant to the four clearance agreements mentioned in Note 4, the Company introduces all of its customers' securities transactions to these clearing brokers on a fully-disclosed basis. Therefore, all of the customers' money balances and long and short security positions are carried on the books of these clearing brokers. Under certain conditions as defined in the clearance agreements, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying customer accounts introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the customers' accounts introduced by the Company.

All clearing broker receivables at December 31, 2005 and 2004 were due from one broker.

At December 31, 2005 and 2004, 87% and 89% respectively, of the Company's investment advisory fees receivables were due from one client. Subsequent to year end, the Company no longer services the account of this client.

During 2005 and 2004, the Company maintained its cash and cash equivalents at two financial institutions. The Federal Deposit Insurance Corporation insures the accounts at one institution up to \$100,000. Cash and cash equivalents maintained at the other institution are insured by Securities Investor Protection Corporation (SIPC) and a separate excess SIPC bond issued by another insurance company.

**11. RELATED PARTY TRANSACTIONS**

Accrued management fee expenses payable to S&D totaled \$125,000 at December 31, 2004. This amount was paid to S&D in 2005.

# **SUPPLEMENTARY REPORT**

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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5  
FOR A BROKER-DEALER CLAIMING AN  
EXEMPTION FROM SEC RULE 15c3-3**

The Stockholder of  
Sturdivant & Co., Inc.  
Voorhees, New Jersey

In planning and performing our audit of the financial statements and supplemental schedules of Sturdivant & Co. Inc. (the "Company") for the year ended December 31, 2005, 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 the 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 accordance 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 the 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 the 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 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, 2005 to meet the SEC's objectives.

This report is intended solely for the information and use of the stockholders, management, the SEC, the National Association of Securities Dealers Regulation, Inc., and other regulatory agencies that 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.

Philadelphia, Pennsylvania  
February 7, 2006

