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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

08 1013-03

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8- 21242

ANNUAL AUDITED REPORT  
FORM X-17A-5 (A)  
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 July 1, 2002 AND ENDING June 30, 2002  
MM/DD/YY MM/DD/YY

RECEIVED  
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SECTION 2003187

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: William C. Burnside & Company, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

111 N. Vermilion St.  
(No. and Street)  
Danville, Illinois 61832

(City) (State) (Zip Code)

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

William C. Burnside (217) 443-3310  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Daughhetee & Parks, P.C.  
(Name - if individual, state last, first, middle name)  
2200 A Kickapoo Dr.  
Danville, Illinois 61832  
(City) (State) Zip Code

CHECK ONE:  Independent Public Accountant (217) 431-0200

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

PROCESSED  
OCT 20 2003

FOR OFFICIAL USE ONLY 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).

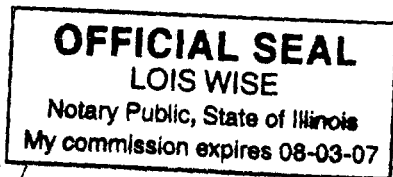
DANVILLE  
P.O. BOX 507  
WILLIAM C. BURNSIDE  
COMPANY, INC.  
111 N. VERMILION ST.  
DANVILLE, ILL. 61832  
AUD  
&  
06

**OATH OR AFFIRMATION**  
of Amendments Attached

I, William C. Burnside, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of William C. Burnside & Company, Inc., as of

June 30 2003, ~~XXX~~, 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



*Lois Wise*  
Notary Public

*William C. Burnside*  
Signature  
President & Treasurer  
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 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).

**WILLIAM C. BURNSIDE & COMPANY, INC.**

**Danville,**

**Illinois**

**FINANCIAL STATEMENTS and**  
**INDEPENDENT AUDITOR'S REPORT**  
**PURSUANT to RULE 171-5**

**June 30, 2003**

**DP** Daughhete  
**& P** & Parks, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

**WILLIAM C. BURNSIDE & COMPANY, INC.**

**Danville,**

**Illinois**

**FINANCIAL STATEMENTS and**  
**INDEPENDENT AUDITOR'S REPORT**  
**PURSUANT to RULE 171-5**

**June 30, 2003**

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*Daughhettee  
& Parks, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
William C. Burnside & Company, Inc.  
Danville, Illinois

We have audited the accompanying statements of financial condition of William C. Burnside & Company, Inc., as of June 30, 2003 and 2002, and the related statements of income, changes in shareholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years 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, whether caused by error or fraud. 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. Our audit will not necessarily detect misstatements less than this materiality level that might exist due to error, fraudulent financial reporting, or misappropriation of assets. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of William C. Burnside & Company, Inc., as of June 30, 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule A 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.

*Daughhettee & Parks, P.C.*

August 23, 2003  
Danville, Illinois

WILLIAM C. BURNSIDE & COMPANY, INC.

Danville, Illinois

Exhibit I

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

As of June 30,

|   | <u>2003</u>      | <u>2002</u>      |
|---|------------------|------------------|
| <b><u>ASSETS</u></b>  |                  |                  |
| Cash on Hand  | 51,344           | 8,457            |
| Receivable from Broker/Dealers  | 20,954           | 22,774           |
| Securities Owned, at Market Value   | 79,851           | 79,028           |
| Investment in Burnside & Associates   | 5,000            | 5,000            |
| Prepaid Insurance   | 2,310            | 2,310            |
| Furniture and Equipment, Net of Accumulated Depreciation of<br>\$29,215 and \$27,389 respectively | 2,402            | 4,228            |
| Leasehold Improvements, Net of Accumulated Depreciation of \$18,423                               | -                | -                |
| Total Assets  | <u>161,861</u>   | <u>121,797</u>   |
| <b><u>LIABILITIES and SHAREHOLDERS' EQUITY</u></b>  |                  |                  |
| <b><u>LIABILITIES</u></b>   |                  |                  |
| Accounts Payable  | 5,191            | 11,629           |
| Accounts Payable - Subsidiary   | 4,251            | 4,251            |
| Accrued Expenses  | 3,053            | 6,308            |
| Commissions Payable   | 10,572           | 17,062           |
| Subordinated Loan   | 250,000          | 320,000          |
| Total Liabilities   | <u>273,067</u>   | <u>359,250</u>   |
| <b><u>SHAREHOLDERS' EQUITY</u></b>  |                  |                  |
| Common Stock -No Par Value, 100,000 Shares Authorized;<br>Issued and Outstanding 75,000 Shares    | 75,000           | 75,000           |
| Additional Paid in Capital  | 150,000          | -                |
| Retained Earnings (Deficit)   | (336,206)        | (312,453)        |
| Total Shareholders' Equity  | <u>(111,206)</u> | <u>(237,453)</u> |
| Total Liabilities and Shareholders' Equity  | <u>161,861</u>   | <u>121,797</u>   |

WILLIAM C. BURNSIDE & COMPANY, INC.  
Danville, Illinois

Exhibit II

COMPARATIVE STATEMENT OF INCOME  
For the Years Ended June 30,

|   | <u>2 0 0 3</u>  | <u>2 0 0 2</u>  |
|---|-----------------|-----------------|
| <u>REVENUE</u>  |                 |                 |
| Commissions & Concessions   | 305,672         | 327,148         |
| Other Income, Net of Trade Income (Loss) of \$-0- and \$250, respectively | 1,033           | 1,923           |
| Total Revenue   | <u>306,705</u>  | <u>329,071</u>  |
| <u>OPERATING EXPENSES</u>   |                 |                 |
| Compensation and Related Benefits   | 30,334          | 36,585          |
| Commission Expense  | 151,598         | 148,678         |
| Clearing and Execution Charges  | 41,593          | 50,607          |
| Occupancy and Equipment Rental  | 21,051          | 21,994          |
| Communications  | 11,487          | 9,703           |
| Interest  | 18,195          | 19,238          |
| Other Operating Expense   | 56,243          | 79,281          |
| Total Operating Expenses  | <u>330,501</u>  | <u>366,086</u>  |
| <u>NET INCOME (LOSS)</u>  | <u>(23,796)</u> | <u>(37,015)</u> |



**WILLIAM C. BURNSIDE & COMPANY, INC.**  
**Danville, Illinois**

Exhibit III

**COMPARATIVE STATEMENT OF CHANGES IN**  
**SHAREHOLDERS' EQUITY**  
**For the Year Ended June 30, 2003**

|                                      | Common<br>Stock | Additional<br>Paid in Capital | Retained<br>Earnings<br>(Deficit) | Total<br>Shareholders'<br>Equity |
|--------------------------------------|-----------------|-------------------------------|-----------------------------------|----------------------------------|
| <u>BALANCE</u> - Beginning of Period | 75,000          | -                             | (312,453)                         | (237,453)                        |
| Contributed Capital                  | -               | 150,000                       | -                                 | 150,000                          |
| Prior Period Adjustment              |                 |                               | 43                                | 43                               |
| <u>NET INCOME(LOSS)</u>              | -               | -                             | (23,796)                          | (23,796)                         |
| <u>BALANCE</u> - End of Period       | 75,000          | 150,000                       | (336,206)                         | (111,206)                        |

**For the Year Ended June 30, 2002**

|                                    | Common<br>Stock | Retained<br>Earnings<br>(Deficit) | Total<br>Shareholders'<br>Equity |
|------------------------------------|-----------------|-----------------------------------|----------------------------------|
| <u>BALANCE</u> - Beginning of Year | 75,000          | (275,437)                         | (200,437)                        |
| <u>NET INCOME (LOSS)</u>           | -               | (37,016)                          | (37,016)                         |
| <u>BALANCE</u> - End of Period     | 75,000          | (312,453)                         | (237,453)                        |

WILLIAM C. BURNSIDE & COMPANY, INC.  
Danville, Illinois

Exhibit IV

COMPARATIVE STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS  
For the Year Ended June 30, 2003

|   |                       |
|---|-----------------------|
| Subordinated Liabilities at July 1, 2002  | 320,000               |
| Increases (Decreases)                     | <u>(70,000)</u>       |
| Subordinated Liabilities at June 30, 2003 | <u><u>250,000</u></u> |

For the Year Ended June 30, 2002

|   |                       |
|---|-----------------------|
| Subordinated Liabilities at July 1, 2001  | 320,000               |
| Increases (Decreases)                     | <u>-</u>              |
| Subordinated Liabilities at June 30, 2002 | <u><u>320,000</u></u> |

WILLIAM C. BURNSIDE & COMPANY, INC.  
Danville, Illinois

Exhibit V

COMPARATIVE STATEMENT OF CASH FLOW  
For the Years Ended June 30,

|   | <u>2003</u>     | <u>2002</u>     |
|---|-----------------|-----------------|
| <u>CASH FLOW from OPERATING ACTIVITIES</u>                      |                 |                 |
| Income (Loss) from Operations                                   | (23,796)        | (37,016)        |
| Adjustments   |                 |                 |
| Depreciation  | 1,826           | 3,873           |
| (Increase) Decrease in Receivable from Broker/Dealer            | 1,820           | (4,765)         |
| (Increase) Decrease in Securities Owned                         | (823)           | 509             |
| (Increase) Decrease in Investments                              | -               | -               |
| (Increase) Decrease in Prepaid Expense                          | -               | (1,196)         |
| Increase (Decrease) in Accounts Payable                         | (6,438)         | 13,635          |
| Increase (Decrease) in Accrued Expenses                         | (3,255)         | 4,999           |
| Increase (Decrease) in Commissions Payable                      | (6,490)         | 7,664           |
|   | <u>(37,156)</u> | <u>(12,297)</u> |
| <u>CASH FLOWS from INVESTING ACTIVITIES</u>                     |                 |                 |
| Proceeds from Fixed Asset Liquidation                           | -               | 202             |
| Net Cash Flow Provided (Used) From Investing                    | <u>-</u>        | <u>202</u>      |
| <u>CASH FLOWS from FINANCING ACTIVITIES</u>                     |                 |                 |
| Decrease in Subordinated Note                                   | (70,000)        | -               |
| Additional Contributed Capital                                  | 150,000         | -               |
| Prior Period Adjustment   | 43              | -               |
| Net Cash Flow Provided (Used) from<br>Financial Activities      | <u>80,043</u>   | <u>-</u>        |
| <u>NET INCREASE (DECREASE) in CASH and<br/>CASH EQUIVALENTS</u> | <u>42,887</u>   | <u>(12,095)</u> |
| <u>CASH and CASH EQUIVALENTS - Balance at June 30, 2002</u>     | <u>8,457</u>    | <u>20,552</u>   |
| <u>CASH and CASH EQUIVALENTS - Balance at June 30, 2003</u>     | <u>51,344</u>   | <u>8,457</u>    |
| <u>SUPPLEMENTAL INFORMATION</u>                                 |                 |                 |
| Interest Paid   | 18,195          | 19,238          |
| Income Taxes Paid   | -               | -               |

**WILLIAM C. BURNSIDE & COMPANY, INC.**  
**Danville, Illinois**

Exhibit VI  
Page 1

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2003**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization - The Company was incorporated in the state of Illinois on September 30, 1976. The Company is registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. The Company's principal business activity is the sale of securities.
- B. Subsidiary Investment - As of June 28, 2000 a 100% owned subsidiary (Burnside & Associates, Ltd., an Illinois corporation) was formed as an investment advisor company. The company is still a 100% owner of the company. The investment is being carried at its original cost basis of \$5,000.
- C. Securities Transactions - Commission revenue and related expense arising from securities transactions are recorded on a trade date basis.
- D. Securities - Securities in firm investment and trading accounts are carried at market value or estimated fair value as determined by management for book purposes. The resulting difference between cost and market or estimated fair value is included in income.
- E. Cash Equivalents - Cash equivalents are defined as certificates of deposit and U.S. government obligations with an original maturity date of less than 90 days, and those securities registered under the Investment Company Act of 1940 which are comprised of cash and other short-term debt instruments and which are commonly referred to as "money market funds."
- F. Furniture and Equipment - Depreciation is provided under various accelerated methods using estimated useful life of five years.
- G. Leasehold Improvements - Leasehold improvements were amortized over the remaining term of an office lease, which expired on December 31, 1989.
- H. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- I. Economic Dependency - The risk or economic dependency of an investment firm is directly related to the psychological mood swings of the investing public, and the general economic strength and weakness of investors.

**WILLIAM C. BURNSIDE & COMPANY, INC.**  
**Danville, Illinois**

Exhibit VI  
Page 2

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2003**

**NOTE 2 - NET CAPITAL**

As a registered broker/dealer and member of the National Association of Securities Dealer, Inc., the Company is subject to the Uniform Net Capital Rule, which requires the maintenance of minimum net capital and requires that the ratio of aggregated indebtedness to net capital, both as defined, shall not exceed 1500%. At June 30, 2003, the Company's net capital and required net capital were \$134,952 and \$50,000, respectively. The ratio of aggregate indebtedness to net capital was 17.09%.

**NOTE 3 - NET OPERATING LOSS CARRY FORWARD**

The Company has unused net operating loss carry forwards for federal income tax purposes of approximately \$204,138 which expires on various dates beginning July 1, 2003.

| For the Year Ended | Amount of<br>Loss | Amount<br>Utilized | Amount<br>Carried<br>Forward | Date of<br>Expiration |
|--------------------|-------------------|--------------------|------------------------------|-----------------------|
| June 30, 1988      | 111,536           | 49,757             | 61,779                       | July 1, 2003          |
| June 30, 1989      | 43,973            | -                  | 43,973                       | July 1, 2004          |
| June 30, 1991      | 13,272            | -                  | 13,272                       | July 1, 2006          |
| June 30, 1992      | 1,861             | -                  | 1,861                        | July 1, 2007          |
| June 30, 1993      | 1,385             | -                  | 1,385                        | July 1, 2008          |
| June 30, 1995      | 44,375            | -                  | 44,375                       | July 1, 2010          |
| June 30, 1996      | 6,613             | -                  | 6,613                        | July 1, 2011          |
| June 30, 1997      | 7,086             | -                  | 7,086                        | July 1, 2012          |
| June 30, 1999      | 1,289             | -                  | 1,289                        | July 1, 2019          |
| June 30, 2001      | 22,229            | -                  | 22,229                       | July 1, 2021          |
| June 30, 2002      | 63,316            | -                  | 63,316                       | July 1, 2022          |
| June 30, 2003      | 23,796            | -                  | 23,796                       | July 1, 2023          |
| Totals             | <u>340,731</u>    | <u>49,757</u>      | <u>290,974</u>               |                       |

**NOTE 4 - LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**

The borrowings under subordination agreements at June 30, 2002 are listed below. The subordinated lender is a shareholder of the Company.

Subordinated Loan          6%          Due July 30, 2002

The subordinated borrowings are covered by agreements approved by the NASD and are thus available in computing net capital under the Securities and Exchange Commission's Uniform Net Capital Rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

WILLIAM C. BURNSIDE & COMPANY, INC.  
Danville, Illinois

Exhibit VI  
Page 3

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003

NOTE 5 - RELATED PARTY INFORMATION

The sole shareholder of the Company leases office space in two locations to the Company. Total payments to the shareholder for rent during the year ended June 30, 2003 was \$10,651. There are no future minimum payments on these leases.

NOTE 6 - COMMITMENTS

On June 1, 1999, the company terminated the agreement with Ameritrade/Advanced Clearing, Inc., and entered into an agreement with Miller, Johnson & Kuehn (MJK) whereby MJK, Inc. will execute and clear securities transactions for the Company on a fully disclosed basis. The original term of the agreement was for one year and is automatically renewable until written notice of termination is given 30 days prior to termination date. Under the terms of the agreement, the company is prohibited from entering into a similar agreement with another broker/dealer without prior approval from MJK. The company has deposited \$10,000 with MJK to assure the company's performance under the agreement. This amount is included in "Receivable from broker/dealer" on the statement of financial condition.

NOTE 7 - CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

Included in cash and cash equivalents is cash of \$-0-, which has been segregated in a special bank account for the benefit of the customers under rule 15C3-3(k)(2)(i) of the Securities and Exchange Commission. None of this amount represents customer funds.

NOTE 8 - SECURITIES OWNED, AT MARKET VALUE

Marketable securities owned, at quoted market values are illustrated below.

|  | <u>6/30/03</u> | <u>6/30/02</u> |
|--|----------------|----------------|
| Federated Money Market Account                             | 70,351         | 69,528         |
| U.S. Treasury Bill<br>(Maturity date in excess of 90 Days) | 9,500          | 9,500          |
| Other Money Market Account                                 | -              | -              |
| Total  | <u>79,851</u>  | <u>79,028</u>  |

NOTE 9 - OPERATING LEASES

The Company leases various office equipment through operating leases on a monthly basis. No future minimum payments are required.

WILLIAM C. BURNSIDE & COMPANY, INC.  
Danville, Illinois

Exhibit VI  
Page 4

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2003

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

|                         | 2 0 0 3         |           |           |                 |                             |               |
|-------------------------|-----------------|-----------|-----------|-----------------|-----------------------------|---------------|
|                         | Cost<br>6/30/02 | Additions | Deletions | Cost<br>6/30/03 | Accumulated<br>Depreciation | Book<br>Value |
| Leasehold Improvements  | 18,423          | -         | -         | 18,423          | 18,423                      | -             |
| Furniture and Equipment | 31,617          | -         | -         | 31,617          | 29,215                      | 2,402         |
| Totals                  | 50,040          | -         | -         | 50,040          | 47,638                      | 2,402         |
|                         | 2 0 0 2         |           |           |                 |                             |               |
|                         | Cost<br>6/30/01 | Additions | Deletions | Cost<br>6/30/02 | Accumulated<br>Depreciation | Book<br>Value |
| Leasehold Improvements  | 18,423          | -         | -         | 18,433          | 18,423                      | -             |
| Furniture and Equipment | 54,841          | -         | 23,224    | 31,617          | 27,389                      | 4,228         |
| Totals                  | 73,264          | -         | 23,224    | 50,040          | 45,812                      | 4,228         |

Depreciation expense is \$1,826 and \$3,873 for 2003 and 2002, respectively.

WILLIAM C. BURNSIDE & COMPANY, INC.  
Danville, Illinois

Schedule A

COMPUTATION OF NET CAPITAL and  
AGGREGATE INDEBTEDNESS  
June 30, 2003

COMPUTATION of NET CAPITAL

|                            |           |
|----------------------------|-----------|
| Total Shareholders' Equity | (111,206) |
| Additions:                 |           |
| Subordinated Loan          | 250,000   |
| Deductions:                |           |
| Nonallowable Assets        | 2,402     |
| Haircuts*                  | 1,440     |

NET CAPITAL

134,952

COMPUTATION of BASIC NET CAPITAL REQUIREMENT

|   |        |
|---|--------|
| Minimum net Capital Requirement (6 2/3% of Total<br>Aggregate Indebtedness) | 1,539  |
| Minimum Dollar Net Capital Requirement                                      | 50,000 |

NET CAPITAL REQUIREMENT

50,000

COMPUTATION of AGGREGATE INDEBTEDNESS

|                          |         |
|--------------------------|---------|
| Total Liabilities        | 273,067 |
| Less - Subordinated Loan | 250,000 |

TOTAL AGGREGATE INDEBTEDNESS

23,067

Percentage of Aggregate Indebtedness to Net Capital

17.09%

Note: There are no material differences between the computations above and the computations included in the Company's corresponding unaudited Form X-17a-5 Part IIA filing.

\* The money market account was included under the heading "Securities Owned" in the Statements of Financial Position. For purposes of computing net capital, a 2% haircut was used.



SUPPLEMENTAL SCHEDULES

*Daughhete*  
*& Parks, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**  
on the **INTERNAL CONTROL STRUCTURE**

---

Board of Directors  
William C. Burnside & Company, Inc.  
Danville, Illinois

In planning and performing our audit of the financial statements of William C. Burnside & Company, Inc., for the year ended June 30, 2003, we considered its internal control structure, including procedures 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 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 tests of compliance with such practices and procedures) followed by William C. Burnside & Company, Inc. 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). We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13 or 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, because the company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 procedure 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 of 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 or 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

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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, our study and evaluation disclosed that a lack of segregation of functions exists. Although this condition may be considered to be a material weakness in internal control, it is a common condition in entities of this size. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of William C. Burnside & Company, Inc. for the year ended June 30, 2001, and this report does not affect our report thereon dated August 17, 2001. In addition, no facts came to our attention that would indicate that Company was not in compliance with its type k(2)(i) and k(2)(ii) exemptions from the requirements of SEC Rule 15c3-3. However, it should be noted that our examination was not directed primarily toward obtaining knowledge of such noncompliance.

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 June 30, 2002, 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.

*Langstaff & Fisher, P.C.*

August 23, 2003  
Danville, Illinois