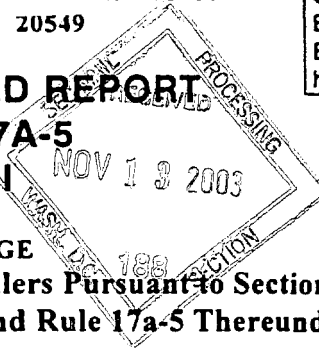


ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART I

SEC FILE NUMBER  
8-32233



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 10-1-02 AND ENDING 09-30-03  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CRAIG & ASSOCIATES INC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1200 - 5 AVE SUITE 1800

(No. and Street)

SEATTLE

(City)

WA

(State)

98101

(Zip Code)

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

GARY CRAIG

206-405-3255

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

JACK W. BROWN INC. P.C.

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

419 OCCIDENTAL AVE S. SUITE 600 SEATTLE WA 98104

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

NOV 19 2003

THOMSON  
FINANCIAL

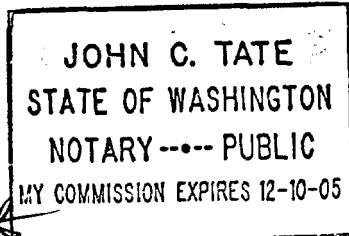
FOR OFFICIAL USE ONLY

\*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)

09-11-03

OATH OR AFFIRMATION

I, GARY L. CRAIG, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CRAIG & ASSOCIATES, INC., as of SEPT 30, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



John C. Tate  
Notary Public

Gary Craig  
Signature  
PRESIDENT  
Title

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

**CRAIG & ASSOCIATES, INC.**

Financial Statements  
and Supplementary Information

September 30, 2003

Jack W. Brown Inc., P.C.

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# JACK W. BROWN INC., P.C.

Accountants & Consultants 419 Occidental Ave. S., Suite 600 Seattle, Washington 98104 (206) 343-0646 FAX (206) 682-3977

November 6, 2003


To the Board of Directors  
Craig & Associates, Inc.  
Seattle, WA

We have audited the accompanying balance sheet of Craig & Associates, Inc., as of September 30, 2003, 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 generally accepted auditing standards. 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 principals 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 Craig & Associates, Inc., as of September 30, 2003, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

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 supplementary schedules is presented for the purpose 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.

  
Jack W. Brown Inc., P.C.  
Seattle, WA  
November 6, 2003

Page 3

## CRAIG &amp; ASSOCIATES, INC.

## BALANCE SHEET

**ASSETS**

September 30, 2003

Current

Cash	\$	1,264
Certificates of Deposit		18,267
Note receivable, Buerk Craig Victor LLC		45,000
Refundable federal income taxes		<u>6,848</u>
Total current assets		<u>71,379</u>

Property & Equipment (Note 1)

Office equipment		14,213
Furniture & fixtures		<u>7,200</u>
		21,413
Less accumulated depreciation		<u>(21,413)</u>
Total property & equipment		<u>-0-</u>

Other Assets

NASDAQ investment		<u>68,730</u>
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## TOTAL ASSETS

\$ 140,109**LIABILITIES & STOCKHOLDERS' EQUITY**Current Liabilities

State business tax payable		<u>160</u>
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Stockholders' Equity

Common stock, \$1 par value, 10,000 shares authorized, and 10,000 shares issued and outstanding		10,000
Additional paid in capital		95,000
Retained earnings		<u>34,949</u>

Stockholders' Equity 139,949

## TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY

\$ 140,109

See accompanying notes to the financial statements

CRAIG & ASSOCIATES, INC.  
STATEMENT OF INCOME & RETAINED EARNINGS

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Year Ended  
September 30, 2003

**INCOME**

Concessions \$ 164,923

**EXPENSES**

Concession Expenses 115,408  
Professional Services 47,628  
Rent 9,123  
Administrative Expense 5,418  
Office Expenses 4,917  
Miscellaneous Expense 4,672  
Taxes & Licenses 2,474  
Dues, including NASD 768  
General Insurance 446  
Total Expenses 190,854

Net Operating Loss (25,931)

Other Income & Expense

Miscellaneous Income 3,300  
Interest Income 276  
Unrealized Loss on Securities (36,945)  
Realized Loss on Securities (9,225)

Total Other Income & Expense (42,594)

Net Loss Before Federal Income Tax (68,525)

Federal Income Tax (6,848)

Net Loss (61,677)

RETAINED EARNINGS, October 1, 2002 96,626

RETAINED EARNINGS, September 30, 2003 \$ 34,949

See accompanying notes to the financial statements

CRAIG & ASSOCIATES, INC.  
STATEMENT OF CASH FLOWS

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	Year Ended September 30, 2003
Cash flows from operating activities	
Net loss	<u>(61,677)</u>
Total cash flow from operating activities	<u>(61,677)</u>
Adjustment to reconcile net income to net cash provided by operating activities	
Increase in notes receivable	(45,000)
Increase in refundable federal income tax	(6,848)
Decrease in NASDAQ investment	42,870
Decrease in federal income tax payable and accrued business taxes	<u>(12,826)</u>
Total adjustments	<u>(21,804)</u>
Net decrease in cash & cash equivalents	(83,481)
Cash & cash equivalents at beginning of year	<u>103,012</u>
Cash & cash equivalents at end of year	<u><u>\$ 19,531</u></u>

See accompanying notes to the financial statements



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. **Nature of business:** Craig & Associates, Inc., is a privately-held Broker-Dealer company which was incorporated in the State of Washington in 1984.
- B. **Property & equipment:** Property and equipment are recorded at cost. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income during that year. The cost of maintenance and repairs is charged to expenses when incurred, whereas expenditures which substantially increase the useful lives of property and equipment are capitalized.
- C. **Depreciation:** The provision for depreciation is computed over three and five years using accelerated methods. Depreciation expense for the current year was 0.
- D. **Cash & cash equivalents:** Cash and cash equivalents consist of cash in checking accounts and certificates of deposit with a maturity of 12 months or less.
- E. **Income taxes:** The Company reports income for financial statement purposes on the accrual basis whereby revenue is recognized as services are performed and expenses are incurred. For federal income tax purposes, the Company reports income on the cash basis whereby revenue is recognized as it is collected and expenses are recognized as paid. There was no deferred income tax at September 30, 2003.
- F. **Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles 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.

SUPPLEMENTARY INFORMATION

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**NET CAPITAL REQUIREMENT:**

Pursuant to Rule 15c3-1(a)(2) under the Securities Exchange Act of 1934, the Company has a \$5,000 net capital requirement. For the year ended September 30, 2003, the Company's net capital balance was \$43,667.

CRAIG & COMPANY, INC.

COMPUTATION for DETERMINATION of RESERVE REQUIREMENTS for

BROKER-DEALERS

September 30, 2003

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UNDER RULE 15c3-3  
For the Year Ended September 30, 2003

Exemptive Provisions:

The Company is exempt from Rule 15c3-3 in that the Company does not receive any customer securities or cash.

CRAIG & COMPANY, INC.  
COMPUTATION of NET CAPITAL Under SEC. RULE 15c3-1

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Net Capital per audited Financial Statements, September 30, 2003	\$ 139,949
Less Non-Allowable Assets	<u>79,523</u>
Net Capital, September 30, 2003	<u>\$ 60,426</u>

See the Reconciliation of Audited and Unaudited Computation of Net Capital on the following page.

CRAIG & COMPANY, INC.  
 RECONCILIATION of AUDITED & UNAUDITED COMPUTATION of NET  
 CAPITAL

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	Unaudited Form X-17A-5 Part II Prepared by Craig & Associates	Audited Form X17A  Part IIA	Differences
<u>Differences</u>	<u>Filed on</u>		
Page 3			
Lines 1 & 3	\$145,710	\$139,949	<u>(\$ 5,761)</u>
<u>Explanations</u>			
Lines 1 & 3	Overstated federal income tax refund		( 5,601)
	Understated business taxes payable		<u>( 160)</u>
			<u>(\$ 5,761)</u>