

SECUR



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MISSION

BIS 3/12

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

MAR 07 2002

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Lockwood Financial Services, Inc.

OFFICIAL USE ONLY

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

10 Valley Stream Parkway  
(No. and Street)

FIRM ID. NO.

Malvern PA  
(City) (State)

19355  
(Zip Code)

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

Christina McClellan

(610) 651-5350  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Ernst & Young, LLP  
(Name -- if individual, state last, first, middle name)

Two Commerce Squ, Ste 4000 2001 Market Str. Philadelphia 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

APR 23 2002

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).

3-26

OATH OR AFFIRMATION

I, Christina McClellan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lockwood Financial Services, Inc., as of December 31, 2001, 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:

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

Gene Skayeth  
TREASURER

Chris McClellan  
Signature

Controller & Asst.  
Title

Treasurer

Michele Gefvert  
Notary Public

Notarial Seal  
Michele Gefvert, Notary Public  
Malvern Boro, Chester County  
My Commission Expires July 5, 2005  
Member Pennsylvania Association of Notaries

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).

Lockwood Financial Services, Inc.

Statement of Financial Condition

December 31, 2001

|  |                     |
|--|---------------------|
| <b>Assets</b>  |                     |
| Cash   | \$ 6,978,867        |
| Introducing firm deposit   | 31,208              |
| Receivable from clearing broker  | 457,031             |
| Other receivables  | 250,798             |
| Deposits and other assets  | 365,762             |
| Deferred tax asset   | 291,000             |
| Property and equipment, net of accumulated depreciation<br>of \$99,194 | 38,334              |
| Total assets   | <u>\$ 8,413,000</u> |
| <b>Liabilities and stockholder's equity</b>                            |                     |
| Accrued compensation   | \$ 487,982          |
| Due to related parties   | 665,054             |
| Accounts payable and accrued expenses                                  | 519,205             |
| Commissions payable  | 327,711             |
| Payable to clearing broker   | 83,823              |
| Total liabilities  | <u>2,083,775</u>    |
| Stockholder's equity:  |                     |
| Capital stock, \$251 par value:  | 251                 |
| Authorized shares - 2,000  |                     |
| Issued and outstanding shares - 1                                      |                     |
| Additional paid-in capital   | 5,975,403           |
| Retained earnings  | 353,571             |
| Total stockholder's equity   | <u>6,329,225</u>    |
| Total liabilities and stockholder's equity                             | <u>\$ 8,413,000</u> |

*See accompanying notes.*