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MAR 25 2002  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

AM 4/4/2002  
OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response ... 12.00



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

SEC FILE NUMBER  
8- 45179

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, 2001 AND ENDING December 31, 2001  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

J.H. Lillian Securities Corp.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

205 Lexington Avenue - 7th Floor

(No. and Street)

New York,

New York

10016

(City)

(State)

(Zip Code)

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

Jonathan H. Lillian, President

(212) 935-2363

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Cornick, Garber & Sandler, LLP

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

630 Third Avenue

New York

NY

10017

(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 05 2002

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).

AM  
4/4/2002

OATH OR AFFIRMATION

I, Jonathan H. Lillian, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of J.H. Lillian Securities Corp., 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:

No Exceptions



*[Signature]*  
Honorary Public Officer / Peter M. Thompson  
Vice Consul  
U.S. Embassy-Paris

*[Signature]*  
\_\_\_\_\_  
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.
- (o) Statement of Cash Flows

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

**CORNICK, GARBER & SANDLER, LLP**

Certified Public Accountants

**J.H. LILLIAN SECURITIES CORP.**  
**STATEMENT OF FINANCIAL CONDITION**  
**AND**  
**INDEPENDENT AUDITORS' REPORT ON**  
**INTERNAL CONTROL STRUCTURE**  
**DECEMBER 31, 2001**

**J.H. LILLIAN SECURITIES CORP.**

**STATEMENT OF FINANCIAL CONDITION**

**AND**

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL STRUCTURE**

**DECEMBER 31, 2001**

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**Independent Auditors' Report**

**Board of Directors  
J.H. Lillian Securities Corp.**

We have audited the accompanying statement of financial condition of J.H. LILLIAN SECURITIES CORP. as at December 31, 2001 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of J.H. Lillian Securities Corp. as at December 31, 2001, in conformity with generally accepted accounting principles in the United States.

*Cornick, Garber & Sandler, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

**New York, New York  
January 30, 2002**

J.H. LILLIAN SECURITIES CORP.  
STATEMENT OF FINANCIAL CONDITION  
AS AT DECEMBER 31, 2001

ASSETS

Cash and cash equivalents (Note C) \$34,953

LIABILITIES

Accounts payable \$ 700

Income taxes payable 1,470

Due to officer (Note D) 1,840

Total liabilities 4,010

STOCKHOLDER'S EQUITY  
(NOTE B)

Capital stock, no par value; authorized 200  
shares; issued and outstanding 10 shares 7,000

Additional paid-in capital 16,250

Retained earnings 7,693

Total stockholder's equity 30,943

TOTAL \$34,953

The notes to financial statements are made a part hereof.

**NOTES TO STATEMENT OF FINANCIAL CONDITION****AS AT DECEMBER 31, 2001****NOTE A - Principal Business Activity and Summary of Significant Accounting Policies**

J.H. Lillian Securities Corp. is a registered broker-dealer of securities. The Company received advisory/placement fee income from one transaction during the year. The Company operates on the premises of a related entity under common ownership and receives certain additional administrative support from the related entity, for which no charges are made to the Company.

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.

**NOTE B - Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital (Rule 15c 3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$30,808, which was \$25,808 in excess of the net required minimum capital of \$5,000. The ratio of aggregate indebtedness to net capital was .13 to 1 at December 31, 2001.

**NOTE C - Cash and Cash Equivalents**

Cash and cash equivalents on the statement of financial condition are comprised of a commercial bank account and a money market fund checking account.

(Continued)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

**AS AT DECEMBER 31, 2001**

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**NOTE D - Due to Officer**

The Company's president and sole stockholder had made payments on the Company's behalf from another company he owns. These payments are shown as "due to officer" on the balance sheet, are due on demand and are noninterest bearing.

**NOTE E - Income Taxes**

For federal and state income tax purposes, the Company has elected to be treated in the same manner as a partnership under the provisions of Subchapter S of the Internal Revenue Code. Under this election, profits and losses are reported on the personal income tax return of the stockholder and any income taxes thereon are payable by him. State and minimum tax and city income tax are payable by the Company.

**Board of Directors  
J.H. Lillian Securities Corp.  
205 Lexington Avenue - 7<sup>th</sup> Floor  
New York, New York 10016**

In planning and performing our audit of the financial statements and supplemental schedules of J.H. Lillian Securities Corp. (the Company) for the year ended December 31, 2001, 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 (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)(II) 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 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 procedures can be expected to achieve the SEC'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 or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

**Board of Directors  
J.H. Lillian Securities Corp.**

**Page Two**

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 of 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 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, we noted no matters involving the internal control structure, including procedures 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, 2001 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, 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 should not be used by anyone other than these specified parties.

*Cornick, Garber + Sandler, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

**New York, New York  
January 30, 2002**