



AP 50 3/3/03

SECURITIES A. 03001622 SION
Washington, D.C. 20547

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

REC'D
MAR 27 2003
SECTION 181
D.C.

SEC FILE NUMBER
8-16750

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 1/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: AEI SECURITIES, INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1300 MINNESOTA WORLD TRADE CENTER, 30 EAST SEVENTH STREET
(No. and Street)

OFFICIAL USE ONLY
FIRM ID. NO

SAINT PAUL MINNESOTA 55101
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
PATRICK W KEENE/ROBERT P JOHNSON 651 227 7333
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BOULAY, HEUTMAKER, ZIBELL & COMPANY P.L.L.P.
5151 EDINA INDUSTRIAL BLVD (Name - if individual, state last, first, middle name)
SUITE 500 MINNEAPOLIS MINNESOTA 55439
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

MAR 13 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).

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

AP 3-12

OATH OR AFFIRMATION

I, PATRICK W KEENE swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AEI SECURITIES, INC. as of DECEMBER 31, 2002, 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:

Patrick Keene

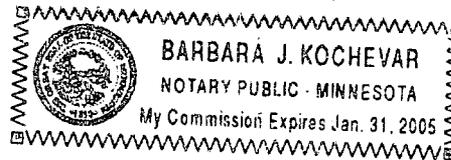
Signature

CHIEF FINANCIAL OFFICER

Title

Barbara J. Kochevar

Notary Public



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. (Statement of Operations & Retained Earnings)
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital. (3)
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3. (2)
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3. (2)
- (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. (1)
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation. (1)
- (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. (1)
- (o) Internal Control Report

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

- (1) Not Applicable.
- (2) Exemption Under Rule 15c 3-3 (k) (2) (b).
- (3) There Were No Reconciling Items Between The Audited Computation Of Net Capital And The Corresponding Unaudited Focus Report.

REPORT OF INDEPENDENT AUDITORS

To the Stockholder of
AEI Securities, Inc.:

We have audited the accompanying statement of financial condition of AEI Securities, Inc. as of December 31, 2002 and 2001 and the related statements of operations and retained earnings and cash flows for the years then ended 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 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 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 AEI Securities, Inc. as of December 31, 2002 and 2001, 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

Minneapolis, Minnesota
January 21, 2003

Boulay, Heutmacher, Zibell & Co. PLLP

Boulay, Heutmacher, Zibell & Co. P.L.L.P.
Certified Public Accountants

AEI SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31

ASSETS

	<u>2002</u>	<u>2001</u>
ASSETS:		
Cash	\$ 257,954	\$ 277,833
Receivable from Related Companies	9,252	11,868
Prepaid Insurance	3,804	616
	-----	-----
Total Assets	\$ 271,010	\$ 290,317

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:		
Commissions Payable	\$ 14,052	\$ 1,590
STOCKHOLDER'S EQUITY:		
Common Stock, no par value, 2,500 shares authorized and issued	12,500	12,500
Additional Paid-In-Capital	37,500	37,500
Retained Earnings	206,958	238,727
	-----	-----
Total Stockholder's Equity	256,958	288,727
	-----	-----
Total Liabilities and Stockholder's Equity	\$ 271,010	\$ 290,317

The accompanying Notes to Financial Statements are an integral part of this statement

AEI SECURITIES, INC.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31

OPERATIONS

	<u>2002</u>	<u>2001</u>
REVENUES:		
Commissions	\$ 1,915,007	\$ 740,236
Interest	3,028	6,040
	-----	-----
Total Revenues	1,918,035	746,276
	-----	-----
EXPENSES:		
Commissions Reallowed	1,564,473	552,475
Underwriting	4,021	29,286
General and Administrative	10,310	7,980
	-----	-----
Total Expenses	1,578,804	589,741
	-----	-----
NET INCOME	339,231	156,535

RETAINED EARNINGS

BALANCE, beginning of year	238,727	122,192
DISTRIBUTIONS	(371,000)	(40,000)
	-----	-----
BALANCE, end of year	\$ 206,958	\$ 238,727
	=====	=====

The accompanying Notes to Financial Statements are an integral part of this statement

AEI SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 339,231	\$ 156,535
Adjustments to Reconcile Net Income to		
Net Cash Provided By Operating Activities:		
Decrease in Receivable from		
Related Companies	2,616	20,575
(Increase) Decrease in Prepaid Insurance	(3,188)	1,260
Increase in Commission Payable	12,462	1,590
	-----	-----
Total Adjustments	11,890	23,425
	-----	-----
Net Cash Provided By		
Operating Activities	351,121	179,960
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions	(371,000)	(40,000)
	-----	-----
NET INCREASE (DECREASE) IN CASH	(19,879)	139,960
CASH, beginning of year	277,833	137,873
	-----	-----
CASH, end of year	<u>\$ 257,954</u>	<u>\$ 277,833</u>

The accompanying Notes to Financial Statements are an integral part of this statement

AEI SECURITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

(1) Summary of Organization and Significant Accounting Policies -

AEI Securities, Inc. (Company) is a licensed broker-dealer under the jurisdiction of the National Association of Securities Dealers, Inc. The Company's major source of income is commissions earned on the sale of units in limited partnerships and limited liability companies which have been organized by Robert P. Johnson and affiliated entities. Revenue is recognized when the minimum number of units have been accepted under the respective agreements.

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

(2) Cash Concentrations of Credit Risk -

At times throughout the year, the Company's cash deposited in one financial institution may exceed FDIC insurance limits.

(3) Related Party Transactions -

Robert P. Johnson is the sole stockholder and president of the Company. Mr. Johnson is also the majority stockholder of AEI Fund Management, Inc. and the 100% owner of ten S-Corporations which are the managing general partners of several limited partnerships for which the Company has sold limited partnership units.

The Company and its affiliates have common management and utilize the same facility. As a result, certain general and administrative expenses and underwriting costs are allocated among these related companies. The Company is reimbursed for certain general and administrative costs by partnerships whose offering was underwritten by the Company. In 2002 and 2001, these reimbursements totaled \$13,350 and \$10,482, respectively. These costs consisted of license fees, broker bond insurance, NASD filing costs, professional fees and overhead costs necessary to maintain the Company as a licensed broker/dealer with the NASD.

(4) Income Taxes -

The Company elected S-Corporation status in 1988. As a result, the income or loss of the Company for Federal and State income tax reporting purposes is includable in the income tax return of the sole stockholder. In general, there is no provision for income taxes.

AEI SECURITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

(Continued)

(5) Net Capital Requirements -

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934. This Rule provides that aggregate indebtedness, as defined, may not exceed 15 times net capital, as defined. Alternatively, the Company's net capital may not be less than \$5,000 or 6-2/3% of total aggregate indebtedness. As of December 31, 2002 and December 31, 2001, the Company had net capital of \$243,902 and \$276,243, respectively, which exceeded the required net capital by \$238,902 and \$271,243, respectively. Its ratio of aggregate indebtedness to net capital was .06 to 1 and .01 to 1, respectively.

SCHEDULE I

AEI SECURITIES, INC.
COMPUTATION OF RATIO OF
AGGREGATE INDEBTEDNESS TO ADJUSTED
NET CAPITAL (Rule 15c3-1)
DECEMBER 31, 2002

Total Assets	\$ 271,010
Less - Aggregate Indebtedness	14,052

Unadjusted Capital	256,958
Adjustments:	
Receivable from Related Companies	(9,252)
Prepaid Insurance	(3,804)

Adjusted Net Capital	\$ 243,902
	=====
Ratio of Aggregate Indebtedness to Adjusted Net Capital	.06:1
	=====



Boulay, Heutmaker, Zibell & Co. P.L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Member of SEC and Private Companies
Practice Sections of the American Institute of
Certified Public Accountants

Member of the International Group of
Accounting Firms with Offices in Principal Cities



January 21, 2003

Board of Directors
AEI Securities, Inc.
St. Paul, Minnesota

In planning and performing our audit of the financial statements and supplemental schedule of AEI Securities, Inc. (the Company), for the year ended December 31, 2002, 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 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

AEI Securities, Inc.

January 21, 2003

Page 2

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 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 internal control or the practices and procedures referred to above, error 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 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 error 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 internal control, including control activities for segregating 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, 2002, to meet the SEC's objectives.

AEI Securities, Inc.
January 21, 2003
Page 3

This report is intended solely for the information and 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 is not intended to be and should not be used by anyone other than these specified parties.

Boulay, Heutmaker, Zibell & Co. PLLP
Boulay, Heutmaker, Zibell & Co. P.L.L.P
Certified Public Accountants

Minneapolis, Minnesota
January 21, 2003

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**FORM
X-17A-5**

FOCUS REPORT

OMB No. 3235-0123
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

3/91

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) 16 2) Rule 17a-5(b) 17 3) Rule 17a-11 18
 4) Special request by designated examining authority 19 5) Other 26

NAME OF BROKER-DEALER

SEC FILE NO.

AEI SECURITIES, INC. 13

8-16750 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

FIRM ID. NO.

1300 MINNESOTA WORLD TRADE CTR 30 E 7TH STREET 20
(No. and Street)

41-0974576 15

FOR PERIOD BEGINNING (MM/DD/YY)

SAINT PAUL 21 MINNESOTA 22 55101 23
(City) (State) (Zip Code)

10/01/02 24

AND ENDING (MM/DD/YY)

12/31/02 25

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

(Area Code)—Telephone No.

PATRICK W KEENE/ROBERT P JOHNSON 30

651-227-7333 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE 33

32 33

34 35

36 37

38 39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

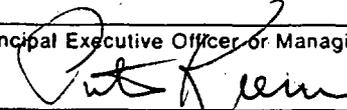
IIA

4M-006158-J
AEI SECURITIES INC
1300 MINNESOTA WORLD TRADE CTR
30 EAST SEVENTH STREET
SAINT PAUL, MN 55101

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 18TH day of FEBRUARY 2003
Manual signatures of:

- 1) 
Principal Executive Officer or Managing Partner
- 2) 
Principal Financial Officer or Partner
- 3) _____
Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER AET SECURITIES, INC.	N3			100
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**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) <u>12-31-02</u>	99
SEC FILE NO. <u>8-1675</u>	98
Consolidated <input type="checkbox"/>	198
Unconsolidated <input checked="" type="checkbox"/>	199

ASSETS

Allowable

Non-Allowable

Total

1. Cash	\$ 257,954	200		\$ 257,954 750
2. Receivables from brokers or dealers:				
A. Clearance account		295		
B. Other		300	\$ 550	810
3. Receivables from non-customers		355	9,252 600	9,252 830
4. Securities and spot commodities owned, at market value:				
A. Exempted securities		418		
B. Debt securities		419		
C. Options		420		
D. Other securities		424		
E. Spot commodities		430		850
5. Securities and/or other investments not readily marketable:				
A. At cost <input type="checkbox"/> \$ <input type="checkbox"/> 130				
B. At estimated fair value		440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
A. Exempted securities \$ <input type="checkbox"/> 150				
B. Other securities \$ <input type="checkbox"/> 160				
7. Secured demand notes:		470	640	890
market value of collateral:				
A. Exempted securities \$ <input type="checkbox"/> 170				
B. Other securities \$ <input type="checkbox"/> 180				
8. Memberships in exchanges:				
A. Owned, at market \$ <input type="checkbox"/> 190				
B. Owned, at cost			650	
C. Contributed for use of the company, at market value			660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		490	680	920
11. Other assets		535	735	930
12. TOTAL ASSETS	\$ 257,954	540	\$ 13,056 740	\$ 271,010 940

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

AEI SECURITIES, INC.

as of 12-31-02

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING
AND CERTAIN OTHER BROKERS OR DEALERS**

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account	1114	1315	1560
B. Other	1115	1305	1540
15. Payable to non-customers	1155	1355	1610
16. Securities sold not yet purchased, at market value		1360	1620
17. Accounts payable, accrued liabilities, expenses and other	14,052 1205	1385	14,052 1685
18. Notes and mortgages payable:			
A. Unsecured	1210		1690
B. Secured	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders \$	970		
2. Includes equity subordination (15c3-1 (d)) of \$	980		
B. Securities borrowings, at market value: . . . from outsiders \$	990	1410	1720
C. Pursuant to secured demand note collateral agreements:		1420	1730
1. from outsider: \$	1000		
2. -Includes equity subordination (15c3-1 (d)) of \$	1010		
D. Exchange memberships contributed for use of company, at market value		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
20. TOTAL LIABILITIES	\$ 14,052 1230	\$ 1450	\$ 14,052 1760

Ownership Equity

21. Sole proprietorship		\$ 1770
22. Partnership (limited partners)	\$ 1020	\$ 1780
23. Corporation:		
A. Preferred stock		1791
B. Common stock		12,500 1792
C. Additional paid-in capital		37,500 1793
D. Retained earnings		206,958 1794
E. Total		256,958 1795
F. Less capital stock in treasury		1796
24. TOTAL OWNERSHIP EQUITY		\$ 256,958 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY		\$ 271,010 1810

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER			
AEI SECURITIES, INC.			
For the period (MMDDYY) from		10/1/2002	3932
to		12/31/2002	3933
Number of months included in this statement			3
			3931

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$		3935
b. Commissions on listed option transactions	▼		3938
c. All other securities commissions		424,667	3939
d. Total securities commissions		424,667	3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			3945
b. From all other trading			3949
c. Total gain (loss)			3950
3. Gains or losses on firm securities investment accounts			3952
4. Profit (loss) from underwriting and selling groups		▼	3955
5. Revenue from sale of investment company shares			3970
6. Commodities revenue			3990
7. Fees for account supervision, investment advisory and administrative services			3975
8. Other revenue			3995
9. Total revenue		\$ 729	4030
		\$ 425,396	

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers		\$	4120
11. Other employee compensation and benefits		▼	4115
12. Commissions paid to other broker-dealers			4140
13. Interest expense			4075
a. Includes interest on accounts subject to subordination agreements		4070	
14. Regulatory fees and expenses			4195
15. Other expenses			4100
16. Total expenses		\$ 6,679	4200
		\$ 331,350	

NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)		\$ 94,046	4210
18. Provision for Federal income taxes (for parent only)		▼	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			4222
a. After Federal income taxes of		4238	
20. Extraordinary gains (losses)			4224
a. After Federal income taxes of		4239	
21. Cumulative effect of changes in accounting principles			4225
22. Net income (loss) after Federal income taxes and extraordinary items		\$ 94,046	4230

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items		\$ 21,154	4211
--	--	-----------	------

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER AEI SECURITIES, INC.	as of <u>12-31-02</u>
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Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- | | | |
|--|------|------|
| A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 | X | 4550 |
| B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained | | 4560 |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm ^v ₃₁ | 4335 | 4570 |
| D. (k) (3)—Exempted by order of the Commission | | 4580 |

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

AEI SECURITIES, Inc.

as of 12-31-02

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$ 256,958	3480
2. Deduct ownership equity not allowable for Net Capital	19 ()	3490
3. Total ownership equity qualified for Net Capital	256,958	3500
4. Add:		
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		3520
B. Other (deductions) or allowable credits (List)		3525
5. Total capital and allowable subordinated liabilities	\$ 256,958	3530
6. Deductions and/or charges:		
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	17 \$ 13,056	3540
B. Secured demand note deficiency		3590
C. Commodity futures contracts and spot commodities-proprietary capital charges		3600
D. Other deductions and/or charges		3610
7. Other additions and/or allowable credits (List)		3630
8. Net capital before haircuts on securities positions	20 \$ 243,902	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):		
A. Contractual securities commitments	\$	3660
B. Subordinated securities borrowings		3670
C. Trading and investment securities:		
1. Exempted securities	18	3735
2. Debt securities		3733
3. Options		3730
4. Other securities		3734
D. Undue Concentration		3650
E. Other (List)		3736
10. Net Capital	\$ 243,902	3750

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

as of 12-31-02

AEI SECURITIES, INC.

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$	936	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	238,902	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	242,496	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	14,052	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
19. Total aggregate indebtedness	\$	14,052	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	6	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	0	3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	N/A	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess net capital (line 10 less 24)	\$		3910
26. Net capital in excess of:			
5% of combined aggregate debit items or \$120,000	\$		3920

OMIT PENNIES

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)
32 4600	4601	4602	4603	4604	4605
33 4610	4611	4612	4613	4614	4615
34 4620	4621	4622	4623	4624	4625
35 4630	4631	4632	4633	4634	4635
36 4640	4641	4642	4643	4644	4645
37 4650	4651	4652	4653	4654	4655
38 4660	4661	4662	4663	4664	4665
39 4670	4671	4672	4673	4674	4675
40 4680	4681	4682	4683	4684	4685
41 4690	4691	4692	4693	4694	4695
			TOTAL \$	4699	

OMIT PENNIES

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

- WITHDRAWAL CODE: DESCRIPTION
1. Equity Capital
 2. Subordinated Liabilities
 3. Accruals
 4. 15c3-1(c)(2)(iv) Liabilities

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

AEI SECURITIES, INC.

For the period (MMDDYY) from 10/1/2002 to 12/31/2002

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period.....	\$	249,912	4240
A. Net income (loss).....		94,046	4250
B. Additions (Includes non-conforming capital of.....)	\$	4262	4260
C. Deductions (Includes non-conforming capital of.....)	\$	(87,000)	4270
2. Balance, end of period (From item 1800).....	\$	256,958	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period.....	\$	4300
A. Increases.....		4310
B. Decreases.....		4320
4. Balance, end of period (From item 3520).....	\$	4330

OMIT PENNIES

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

OMB APPROVAL
OMB # 3235-0123
Expires May 31, 1987

FOCUS REPORT FORM X-17A-5 SCHEDULE I

(To be filed annually as of the end of calendar year)

Contents

Schedule I **INFORMATION REQUIRED OF ALL BROKERS
AND DEALERS PURSUANT TO RULE 17a-5**

* * * * *

AEI SECURITIES INC.
Name of Respondent

FORM X-17A-5

FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

Schedule I

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17a-5

Report for the Calendar Year 2002 8004
or if less than 12 months

Report for the period beginning 01/01/02 8005 and ending 12/31/02 8006
MM DD YY MM DD YY

SEC FILE NUMBER	
8-16750	8011

1. NAME OF BROKER DEALER <u>AEI SECURITIES INC.</u>	<input type="checkbox"/> 8020	N 9	OFFICIAL USE ONLY	<input type="checkbox"/> 8021
			Firm No. M M Y Y	

2. Name(s) of broker-dealer(s) merging with respondent during reporting period:

NAME:	<input type="checkbox"/> 8053	OFFICIAL USE ONLY	<input type="checkbox"/> 8057
NAME:	<input type="checkbox"/> 8054		<input type="checkbox"/> 8058
NAME:	<input type="checkbox"/> 8055		<input type="checkbox"/> 8059
NAME:	<input type="checkbox"/> 8056		<input type="checkbox"/> 8060

3. Respondent conducts a securities business exclusively with registered broker-dealers:
(enter applicable code: 1=Yes 2=No) 2 8073

4. Respondent is registered as a specialist on a national securities exchange:
(enter applicable code: 1=Yes 2=No) 2 8074

5. Respondent makes markets in the following securities:

(a) equity securities(enter applicable code: 1=Yes 2=No) 2 8075

(b) municipals.(enter applicable code: 1=Yes 2=No) 2 8076

(c) other debt instruments.(enter applicable code: 1=Yes 2=No) 2 8077

6. Respondent is registered solely as a municipal bond dealer:
(enter applicable code: 1=Yes 2=No) 2 8078

7. Respondent is an insurance company or an affiliate of an insurance company:
(enter applicable code: 1=Yes 2=No) 2 8079

8. Respondent carries its own public customer accounts:
(enter applicable code: 1=Yes 2=No) 2 8084

9. Respondent's total number of public customers accounts:
(carrying firms filing X-17A-5 Part II only)

(a) Public customer accounts 0 8080

(b) Omnibus accounts 0 8081

10. Respondent clears its public customer and/or proprietary accounts:
(enter applicable code: 1=Yes 2=No) 2 8085

FOCUS REPORT

Schedule I

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11. Respondent clears its public customer accounts in the following manner:

(enter a "1" in appropriate boxes)

- | | | |
|--|--------------------------|------|
| (a) Direct Mail (New York Stock Exchange Members Only) | <input type="checkbox"/> | 8086 |
| (b) Self-Clearing | <input type="checkbox"/> | 8087 |
| (c) Omnibus | <input type="checkbox"/> | 8088 |
| (d) Introducing | <input type="checkbox"/> | 8089 |
| (e) Other | <input type="checkbox"/> | 8090 |

If Other please describe:

- | | | |
|--------------------------|--------------------------|------|
| (f) Not applicable | <input type="checkbox"/> | 8091 |
|--------------------------|--------------------------|------|

12. (a) Respondent maintains membership(s) on national securities exchange(s):

(enter applicable code: 1=Yes 2=No)

(b) Names of national securities exchange(s) in which respondent maintains memberships:

(enter a "1" in appropriate boxes)

- | | | |
|-------------------------|-------------------------------------|------|
| (1) American | <input type="checkbox"/> | 8120 |
| (2) Boston | <input type="checkbox"/> | 8121 |
| (3) CBOE | <input type="checkbox"/> | 8122 |
| (4) Midwest | <input checked="" type="checkbox"/> | 8123 |
| (5) New York | <input type="checkbox"/> | 8124 |
| (6) Philadelphia | <input type="checkbox"/> | 8125 |
| (7) Pacific Coast | <input type="checkbox"/> | 8126 |
| (8) Other | <input type="checkbox"/> | 8129 |

13. Employees:

(a) Number of full-time employees

(b) Number of full-time registered representatives employed by respondent included in 13 (a)

14. Number of NASDAQ stocks respondent makes market

15. Total number of underwriting syndicates respondent was a member

(Carrying or clearing firms filing X-17A-5 Part II)

16. Number of respondent's public customer transactions: Actual

Estimate

(a) equity securities transactions effected on a national securities exchange

(b) equity securities transactions effected other than on a national securities exchange

(c) commodity, bond, option, and other transactions effected on or off a national securities exchange

FOCUS REPORT

Schedule I

page 3

17. Respondent is a member of the Securities Investor Protection Corporation
(enter applicable code: 1=Yes 2=No) 1 2 8111

18. Number of branch offices operated by respondent ONE MAIN OFFICE 0 1 8112

19. Respondent is an affiliate or subsidiary of a foreign broker-dealer
or bank (enter applicable code: 1=Yes 2=No) 1 2 8113

20. (a) Respondent is a subsidiary of a registered broker-dealer
(enter applicable code: 1=Yes 2=No) 1 2 8114

(b) Name of parent ¹² 1 2 8116

21. Respondent is a subsidiary of a parent which is not a registered broker
or dealer (enter applicable code: 1=Yes 2=No) 1 2 8115

22. Respondent sends quarterly statements to customers pursuant to
Rule 10b-10(b) in lieu of daily or immediate confirmations:
(enter applicable code: 1=Yes 2=No)* 1 2 8117

23. Aggregate Dollar Amount of Non-Exempted OTC Sales of Exchange-
Listed Securities Done by Respondent During the Reporting Period \$ 0 1 8118

* Required in any Schedule I filed for the calendar year 1978 and succeeding years.