

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

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

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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8-48967

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:
J.W. Millegan, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
P.O. Box 1012

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
Pacific City Oregon 97135
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
James W. Millegan (503) 295-5233
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Geffen, Meshner & Company, P.C.

(Name - if individual, state last, first, middle name)
888 SW Fifth Avenue, Suite 800 Portland, Oregon 97204
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
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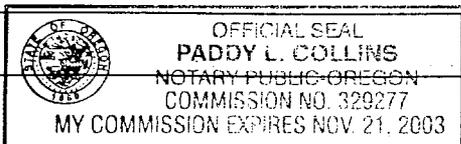
FOR OFFICIAL USE ONLY THOMSON FINANCIAL

*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)

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OATH OR AFFIRMATION

I, James W. Millegan, 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.W. Millegan, 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:



Signature
President
Title

Paddy Collins
Notary Public

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of operations.
(d) Statement of Changes in cash flows.
(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.
[x] (o) Independent auditors' report on internal accounting control.

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

Faint text at the bottom of the page, possibly a stamp or reference number.

J.W. MILLEGAN, INC.

FORM X-17A-5 PART IIA

**OF THE FOCUS REPORT
OF THE**

SECURITIES AND EXCHANGE COMMISSION

YEAR ENDED DECEMBER 31, 2002

J. W. MILLEGAN, INC.

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Facing page and cover form

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Independent Auditors' Report

Board of Directors
J.W. Millegan, Inc.
Pacific City, Oregon

We have audited the accompanying statement of financial condition of J.W. Millegan, Inc. as of December 31, 2002, and the related statements of operations, changes in shareholder's equity, 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 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 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 J.W. Millegan, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 8 and 9 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. This 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 when considered in relation to the basic financial statements taken as a whole.

January 17, 2003

Geffen Mesher & Company, P.C.

J.W. MILLEGAN, INC.
STATEMENT OF FINANCIAL CONDITION

YEAR ENDED DECEMBER 31, 2002

Assets

Cash and cash equivalents	\$	50,581
Commissions receivable		90,555
Other assets		6,371

Total assets \$ 147,507

Liabilities and shareholder's equity

Accrued expenses \$ 20,042

Total liabilities 20,042

Commitments

Shareholder's equity

Common stock, no par, stated value \$50 per share; 1,000 shares authorized, 100 shares issued and outstanding		5,000
Additional paid-in capital		199,962
Retained earnings		(77,497)

Total shareholder's equity 127,465

\$ 147,507

J. W. MILLEGAN, INC.

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2002

Revenues	
Securities commissions	\$ 1,141,272
Interest income	759
	<hr/>
	1,142,031
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Expenses	
Payroll and related expenses	310,526
Employee benefits	24,312
Commissions	118,868
Communications	18,685
Dues and subscriptions	2,175
Insurance	1,191
Miscellaneous	3,702
Postage	2,949
Professional fees	15,091
Promotion	2,358
Regulatory fees	4,437
Rent	101,999
Supplies and printing	10,882
Taxes and licenses	8,927
Telephone	25,197
Training and seminars	524
Travel and entertainment	1,274
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	653,097
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Net income	\$ 488,934

See notes to financial statements

J.W. MILLEGAN, INC.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

YEAR ENDED DECEMBER 31, 2002

	Common stock	Additional paid-in capital	Retained earnings	Total
Balances at beginning of year	\$ 5,000	\$ 199,962	\$ (114,030)	\$ 90,932
Net income			488,934	488,934
Shareholder distributions			(452,401)	(452,401)
Balances at end of year	\$ 5,000	\$ 199,962	\$ (77,497)	\$ 127,465

J.W. MILLEGAN, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2002

Cash flows from operating activities	
Net income	\$ 488,934
Change in operating assets and liabilities	
Commissions receivable	(16,189)
Accrued expenses	(22,089)
<hr/>	
Net cash provided by operating activities	450,656
<hr/>	
Cash flows from financing activities	
Shareholder distributions	(452,400)
<hr/>	
Net cash used in financing activities	(452,400)
<hr/>	
Net decrease in cash and cash equivalents	(1,744)
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Cash and cash equivalents at beginning of year	52,325
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Cash and cash equivalents at end of year	\$ 50,581
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See notes to financial statements

J.W. MILLEGAN, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

1. Line of business and significant accounting policies

Line of business

The Company operates as a fully disclosed securities broker dealer with customers throughout the United States. Operations consist primarily of executing the purchases and sales of securities for the accounts of customers and performing securities related consulting activities.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Security transactions

Security transactions and related commission revenue and expense are recorded on a settlement date basis. Differences between trade date and settlement date, if any, are not significant.

Concentrations of credit risk

The Company has cash in the form of deposits which may exceed depository insurance limits. The Company makes such deposits with high credit quality entities and has not incurred any credit related losses.

Cash equivalents

Cash and cash equivalents are stated at cost, which approximates fair market value. The Company considers short-term, highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Income taxes

The Company, with the consent of its shareholders, has elected to be treated as an "S" Corporation under the Internal Revenue Code. Instead of paying corporate income taxes, the shareholders of an "S" Corporation are taxed individually on the Company's taxable income. Therefore, no provision or liability for corporate income taxes has been included in these financial statements.

2. Net capital

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. As a result, the minimum net capital required is the greater of \$5,000 or 1/8th of aggregate indebtedness, as defined. At December 31, 2002, the Company had net capital and required net capital of \$121,094 and \$5,000, respectively, and a ratio of aggregate indebtedness to net capital of .16 to 1. Net capital and required net capital may fluctuate on a daily basis.

J.W. MILLEGAN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2002

3. Lease commitments

The Company leases office space and certain equipment and accounts for them as operating leases. The current office lease expires April 2004. Under the current lease terms, future minimum lease payments for the years ended December 31, 2003 through 2004 are \$52,793 and \$17,770, respectively. Miscellaneous office equipment is leased on a month-to-month basis.

The Company also leases office equipment and office space under non-cancellable operating leases from a related party on a year-to-year basis. Future minimum lease payments to the related party for the year ended December 31, 2003 total \$50,393.

4. Related party

The Company's shareholder is also a majority owner of Maolagain, LLC from which the Company leases equipment, artwork, and office space at the Company's corporate headquarters in Pacific City, Oregon on a year-to-year basis. The related rental expense for the year ended December 31, 2002 was \$44,210 for equipment and artwork and \$6,183 for office space.

J.W. MILLEGAN, INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1

YEAR ENDED DECEMBER 31, 2002

Net capital		
Total shareholder's equity	\$	127,465
Less nonallowable assets		
Other assets		6,371
Net capital	\$	121,094
Aggregate indebtedness		
Accrued expenses	\$	20,042
Computation of basic net capital requirements		
Minimum net capital required	\$	5,000
Excess net capital	\$	116,094
Excess of net capital at 1,000%	\$	119,090
Ratio of aggregate indebtedness to net capital		.16 to 1

Reconciliation with Company's computation

There were no material differences between these computations and the computations included in the Company's Part IIA of Form X-17a-5 unaudited report as of December 31, 2002, filed on January 17, 2003.

J.W. MILLEGAN, INC.

EXEMPTION FROM RESERVE REQUIREMENTS UNDER RULE 15c3-3

YEAR ENDED DECEMBER 31, 2002

Exemptive provisions

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

Independent Auditors' Report on Internal Accounting Control Required by SEC Rule 17a-5

Board of Directors
J.W. Millegan, Inc.
Pacific City, Oregon

In planning and performing our audit of the financial statements of J.W. Millegan, Inc. for the year ended December 31, 2002, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but 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 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 security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in (i) making the quarterly securities examinations, counts, verifications and comparisons, (ii) recordation of differences required by Rule 17a-13 or (iii) 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 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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 risks that they might become inadequate because of changes in conditions or that the effectiveness of their design and operation might 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 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 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 December 31, 2002, to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of J.W. Millegan, Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control, and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the use of management, the Securities and Exchange Commission and the National Association of Securities Dealers and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation or registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

Deffen Mesher & Company, P.C.

January 17, 2003