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

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

SEC FILE NUMBER
8- 16225

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, 2002 AND ENDING December 31, 2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: John L. Wortham & Son Investments, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2727 Allen Parkway

(No. and Street)

Houston

Texas

77019

(City)

(State)

(Zip Code)

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

Fred C. Burns

(713)526-3366

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

PROCESSED

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MAR 18 2003

Ernst & Young LLP

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

THOMSON
FINANCIAL

1401 McKinney, Suite 1200

Houston

Texas

77010

(Address)

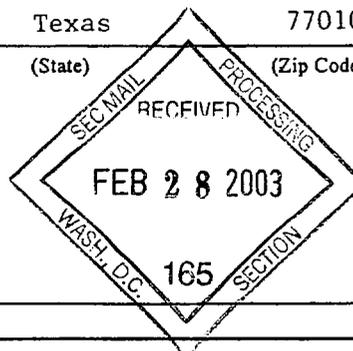
(City)

(State)

(Zip Code)

CHECK ONE:

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



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)

SEC 1410 (06-02)

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.

OATH OR AFFIRMATION

I, Fred C. Burns, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of John L. Wortham & Son Investments, Inc., as of December 31, 20 02, 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:

Fred C. Burns

Signature

President

Title

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.
(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).

John L. Wortham & Son Investments, Inc.

Financial Statements with Supplemental Information

Year ended December 31, 2002

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Report of Independent Auditors

Board of Directors
John L. Wortham & Son Investments, Inc.

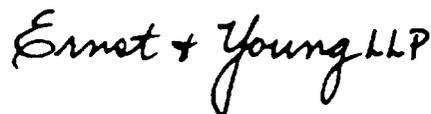
We have audited the accompanying statement of financial condition of John L. Wortham & Son Investments, Inc., as of December 31, 2002, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of John L. Wortham & Son Investments, Inc.'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. 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 John L. Wortham & Son Investments, Inc., at 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the 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 our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

January 27, 2003



John L. Wortham & Son Investments, Inc.

Statement of Financial Condition

December 31, 2002

Assets	
Cash	\$ 16,272
Investment in redeemable shares of registered investment company at cost, which approximates market	72,700
Investment in common stock – NASDAQ Stock Market, Inc. at cost, which approximates market	3,300
Prepaid federal income tax	<u>1,036</u>
Total assets	<u><u>\$ 93,308</u></u>
 Liabilities and stockholder's equity	
Accrued expense	\$ <u>248</u>
Total liabilities	248
 Stockholder's equity:	
Common stock, \$1 par value:	
Authorized shares – 2,500	
Issued shares – 1,000	1,000
Additional paid-in capital	8,289
Retained earnings	<u>83,771</u>
Total stockholder's equity	<u>93,060</u>
Total liabilities and stockholder's equity	<u><u>\$ 93,308</u></u>

See accompanying notes.

John L. Wortham & Son Investments, Inc.

Statement of Operations

Year ended December 31, 2002

Revenues:		
Commissions		\$ 6,775
Dividends		717
Total revenues		<u>7,492</u>
Expenses:		
Dues, fees, and assessments		2,255
Accounting services		2,748
Consulting services		1,981
Total expenses		<u>6,984</u>
Income before federal income taxes		508
Provision for current federal income taxes		76
Net income		<u>\$ 432</u>

See accompanying notes.

John L. Wortham & Son Investments, Inc.

Statement of Changes in Stockholder's Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at December 31, 2001	\$ 1,000	\$ 8,289	\$ 83,339	\$ 92,628
Net income	-	-	432	432
Balance at December 31, 2002	\$ 1,000	\$ 8,289	\$ 83,771	\$ 93,060

See accompanying notes.

John L. Wortham & Son Investments, Inc.

Statement of Cash Flows

Year ended December 31, 2002

Operating activities

Net income	\$ 432
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in accrued expense	248
Increase in prepaid federal income tax	(124)
Net cash provided by operating activities	<u>556</u>
Cash and cash equivalents at beginning of year	<u>88,416</u>
Cash and cash equivalents at end of year	<u><u>\$ 88,972</u></u>

Disclosure of Accounting Policy

For purposes of the statement of cash flows, the Company considers investments in redeemable shares of a registered investment company to be cash equivalents.

See accompanying notes.

John L. Wortham & Son Investments, Inc.

Notes to Financial Statements

December 31, 2002

1. Significant Accounting Policies

John L. Wortham & Son Investments, Inc. (the "Company"), is wholly owned by John L. Wortham & Son, L.L.P. (the "Partnership"), and shares certain facilities and employees with the Partnership. The Partnership does not allocate any expenses to the Company.

The Company's principal securities transactions consist of the purchase and sale of mutual fund shares for its customers. The Company promptly transmits all securities or money to its customers or the registered investment company, as applicable. Generally, investments and redemptions flow directly between customers and registered investment companies. Securities transactions are recorded on a settlement date basis except that commissions earned on transactions originated by a customer of the Company directly with a registered investment company are recorded when received, as the Company has no knowledge of such transactions until such commissions are received.

Preparation of financial statements requires the use of management's estimates. Actual results could differ from those estimates.

2. Minimum Capital Requirement

The Company is subject to the net capital rule of the Securities and Exchange Commission, which requires that aggregate indebtedness, as defined, shall not exceed 15 times net capital, as defined. Aggregate indebtedness at December 31, 2002, was \$248. The Company's defined net capital of \$88,306 exceeded its minimum capital requirement of \$5,000 by \$83,306 at December 31, 2002.

3. Subordinated Debt

The Company had no subordinated debt at December 31, 2002, or at any time during the year then ended.

4. Related Party Transactions

Substantially all of the Company's commission revenue is earned on mutual fund investment transactions involving the Partnership. Professional fees totaling \$2,000 were incurred with a related party during 2002.

5. Income Taxes

The Company paid \$76 in income taxes during 2002.

Supplemental Information

Computation of Net Capital, Aggregate Indebtedness, and Ratio
of Aggregate Indebtedness to Net Capital Under Rule 15c3-1

December 31, 2002

Net capital:	
Stockholder's equity	\$ 93,060
Less:	
Haircut on security position	<u>4,754</u>
Net capital	<u>\$ 88,306</u>
Aggregate indebtedness – total liabilities	<u>\$ 248</u>
Ratio of aggregate indebtedness to net capital:	
Net capital requirement (minimum requirement)	\$ 5,000
Net capital in excess of required amount	<u>83,306</u>
Net capital	<u>\$ 88,306</u>
Ratio of aggregate indebtedness to net capital	<u>0.28%</u>

Note – The above computation does not differ materially from the computation of net capital under Rule 15c3-1 as of December 31, 2002, filed with the Securities and Exchange Commission in January 2003 on Form X-17A-5, Part IIA.

John L. Wortham & Son Investments, Inc. *Schedule II*

Computation for Determination of the Reserve
Requirements Under Exhibit A of Rule 15c3-3

December 31, 2002

The Company is exempt from Rule 15c3-3, pursuant to the provisions of subparagraph (k)(1) thereof.

John L. Wortham & Son Investments, Inc. *Schedule III*

Information for Possession or Control Requirements Under Rule 15c3-3

December 31, 2002

The Company is exempt from Rule 15c3-3, pursuant to the provisions of subparagraph (k)(1) thereof.

Supplementary Report of
Independent Auditors

Supplementary Report of Independent Auditors on Internal Control Structure Required by Rule 17a-5 of the Securities and Exchange Commission

Board of Directors
John L. Wortham & Son Investments, Inc.

In planning and performing our audit of the financial statements of John L. Wortham & Son Investments, Inc. (the "Company"), for the year ended December 31, 2002, we considered its internal control structure, 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 the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "Commission"), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company 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 17a3-(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 (i) in making the quarterly securities examinations, counts, verifications, and comparisons; (ii) in the recordation of differences required by Rule 17a-13; or (iii) in complying with the requirements for prompt payment for securities of Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 Commission'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 for 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 accordance with accounting principles generally accepted in the United States.

Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal accounting 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 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 structure elements 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 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 Commission to be adequate for its purposes in accordance with the Securities and 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 Commission's objectives.

This report is intended solely for the use of the Board of Directors and management of John L. Wortham & Son Investments, Inc., the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 and is not intended to be and should not be used for any other purpose.

January 27, 2003

Ernst & Young LLP