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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
B-40822

**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 01-01-2002 AND ENDING 12-31-2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Coastal Equities, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
15 Simpson Ln.
(No. and Street)

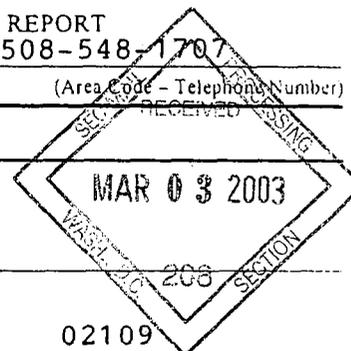
OFFICIAL USE ONLY
FIRM I.D. NO.

Falmouth MA 02540
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Richard A. Ross 508-548-1707
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
David Merfeld, LLC
(Name - if individual, state last, first, middle name)



21 Merchants Row 5th floor Boston, MA 02109
(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 20 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)

OATH OR AFFIRMATION

I, Richard A. Ross, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Coastal Equities, 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:

DIANE S. BURNWORTH
NOTARY PUBLIC
My Commission Exp. June 2, 2006

Paul C. Ross

Signature

President

Title

Diane S Burnworth
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).

COASTAL EQUITIES, INC.

FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

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Independent Auditor's Report

Board of Directors
Coastal Equities, Inc.
Falmouth, Massachusetts

I have audited the accompanying statement of financial condition of Coastal Equities, Inc. as of December 31, 2002 and the related statements of income, of changes in stockholder's equity, and of cash flows for the year 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I 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 used by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coastal Equities, Inc. at December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Supplemental Schedule 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 audit 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.

David Merfeld LLC

Boston, Massachusetts
January 23, 2003

COASTAL EQUITIES, INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2002

See Auditor's Report

ASSETS

Current assets

Cash and cash equivalents	\$	10,317
Accounts receivable		81,216
		505
Prepaid expenses		800
Total current assets		<u>92,838</u>

Other assets

Equipment and furnishings, net of accumulated depreciation of \$16,850		1,184
Marketable security available for sale		33,731
Deposit with correspondent broker		25,000
Total other assets		<u>59,915</u>
Total assets	\$	<u><u>152,753</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Commissions payable	\$	52,373
Accounts payable		13,752
Accrued expenses		6,812
Total liabilities		<u>72,937</u>

Stockholder's equity

Common stock, \$.01 par value		
Authorized 200,000 shares		
Issued and outstanding 10,000 shares		100
Capital in excess of par value		29,441
Retained earnings		54,718
Accumulated other comprehensive loss		(4,443)
Total stockholder's equity		<u>79,816</u>
Total liabilities and stockholder's equity	\$	<u><u>152,753</u></u>

See notes to financial statements

COASTAL EQUITIES, INC.

STATEMENT OF INCOME

For the Year Ended December 31, 2002

See Auditor's Report

Revenues	<u>\$ 1,190,337</u>
Expenses	
Salaries and benefits	138,290
Commissions	779,276
Clearing charges	178,330
Registration fees	5,176
Office supplies and expense	3,562
Telephone	3,470
Rent	6,350
Travel and entertainment	1,172
Software maintenance	2,520
Accounting	5,850
Legal	8,329
Depreciation and amortization	931
Other	<u>1,142</u>
Total expenses	<u>1,134,398</u>
Operating income	<u>55,939</u>
Other income	
Investment income	10,729
Loss on sale of securities	<u>(1,826)</u>
	<u>8,903</u>
Net income	<u><u>\$ 64,842</u></u>

See notes to financial statements

COASTAL EQUITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

For the Year Ended December 31, 2002

See Auditor's Report

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1	\$ 100	\$ 29,441	\$ 89,876	\$ (1,293)	\$ 118,124
Comprehensive income					
Net income			64,842		64,842
Other comprehensive income					
Unrealized holding loss				(4,976)	(4,976)
Reclassification adjustment				1,826	1,826
Comprehensive income			64,842	(3,150)	61,692
Dividends paid			(100,000)		(100,000)
Balance, December 31	<u>\$ 100</u>	<u>\$ 29,441</u>	<u>\$ 54,718</u>	<u>\$ (4,443)</u>	<u>\$ 79,816</u>

See notes to financial statements

COASTAL EQUITIES, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2002

See Auditor's Report

Cash flows from operating activities	
Revenue received	\$ 1,206,516
Operating expenses paid	(1,145,746)
Investment income received	<u>10,729</u>
Net cash provided by operating activities	71,499
Cash flows from investing activities	
Sale of marketable security	10,000
Cash flows from financing activities	
Dividends paid	<u>(100,000)</u>
Cash flows	(18,501)
Cash and cash equivalents, beginning of year	<u>28,818</u>
Cash and cash equivalents, end of year	<u>\$ 10,317</u>
Reconciliation of net income to cash provided by operating activities	
Net income	\$ 64,842
Adjustments to reconcile net income to cash provided by operating activities	
Depreciation and amortization	931
Loss on sale of securities	1,826
Changes in assets and liabilities	
Accounts and reimbursements receivable	20,485
Commissions payable	(13,456)
Accounts payable	(3,006)
Accrued expenses	<u>(123)</u>
Net cash provided by operating activities	<u>\$ 71,499</u>

See notes to financial statements

COASTAL EQUITIES, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2002

A. Securities dealer registration and nature of operations

Coastal Equities, Inc. (the "Company") is registered with the National Association of Securities Dealers and the Securities and Exchange Commission ("SEC") as a broker/dealer in securities. In order to maintain this status, the Company is required to maintain net capital, as defined by the SEC, of in excess of \$5,000. At December 31, 2002, net capital was \$72,267.

The Company has independent brokers who operate four offices in three states. Its primary source of revenue is commissions and investment advisory fees for providing brokerage services to small businesses and individuals. Each broker receives a share of the commissions earned, and is responsible for his or her own expenses.

B. Significant accounting policies

Significant accounting policies employed in the preparation of these financial statements include:

Estimates: The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimates.

Commission revenue and expense are recognized as the transactions that give rise to the income and expense close.

Depreciation of equipment and furnishings is being provided over 5-year lives using the straight-line method. Repairs and maintenance are charged to expense as incurred.

Cash and cash equivalents includes bank accounts and all highly liquid debt instruments purchased with original maturities of less than three months.

C. Deposit with correspondent broker

Because the Company does not handle customer securities or trades directly, it has entered into a relationship with a clearing, or correspondent, broker. As part of the terms of its contract with this broker, it maintains with them a \$25,000 deposit, held in a money-market fund. Interest earned on this account inures to the benefit of the Company.

D. Investment in marketable security

The Company's investments in marketable securities are held for an indefinite period and thus are classified as available for sale. Available-for-sale securities are recorded at fair value in investments and other assets on the balance sheet, with the change in fair value during the period included in other comprehensive income for the period. Fair value of the security, a mutual fund, was \$33,731 at December 31, 2002. Other comprehensive income included the unrealized holding loss of \$4,976, adjusted by the recognized loss of \$1,826.

E. Operating lease

The Company leases its office space under a tenancy-at-will, with monthly rent of \$525.

F. Income taxes

The Company has elected to be taxed as an "S" corporation for federal and state income tax purposes. As such, all taxable income is recognized, and all income taxes are paid, by the stockholder.

DAVID MERFELD LLC
CERTIFIED PUBLIC ACCOUNTANT

21 MERCHANTS ROW
BOSTON, MA 02109
617-248-1901
FAX 617-248-1902
David@Merfeldcpa.com

Independent Auditor's Report

Board of Directors
Coastal Equities, Inc.
Falmouth, Massachusetts

I have audited the accompanying financial statements of Coastal Equities, Inc. as of and for the year ended December 31, 2002 and have issued my report thereon dated January 23, 2003. My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Supplemental Schedule 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 audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

David Merfeld LLC

Boston, Massachusetts
January 23, 2003

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

BROKER OR DEALER

Coastal Equities, Inc.

as of

12/31/02

COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition.....	\$	79,816	3480
2.	Deduct ownership equity not allowable for Net Capital.....			3490
3.	Total ownership equity qualified for Net Capital.....			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.....	\$	79,816	3530
6.	Deductions and/or charges:			
	A. Total nonallowable assets from Statement of Financial Condition (Notes B and C).....	\$	2,489	3540
	B. Secured demand note delinquency.....			3590
	C. Commodity futures contracts and spot commodities - proprietary capital charges.....			3600
	D. Other deductions and/or charges.....			3610
			2,489	3620
7.	Other additions and/or allowable credits (List).....			3630
8.	Net capital before haircuts on securities positions.....	\$	77,327	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			3735
	2. Debt securities			3733
	3. Options.....			3730
	4. Other securities		5,060	3734
	D. Undue Concentration.....			3650
	E. Other (List).....			3736
			5,060	3740
10.	Net Capital.....	\$	72,267	3750

OMIT PENNIES

No material difference exists between this net capital and the amount filed on the unaudited form IIA by Coastal Equities, Inc.

Independent Auditor's Report

Board of Directors
Coastal Equities, Inc.
Falmouth, Massachusetts

In planning and performing my audit of the financial statements of Coastal Equities, Inc. and supplemental schedule for the year ended December 31, 2002, I considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purposes of expressing my 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), I have made a study of the practices and procedures followed by the Company, including practices and procedures that I considered relevant to the objectives stated in Rule 17a-5(g) in making periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(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, I 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 management 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of practices and procedures listed in the preceding paragraph.

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. In addition, projection of any evaluation of them to future periods is subject to the risks that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My 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 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 function. However, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I consider to be material weaknesses as defined above.

I 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 objective in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the New York Stock Exchange, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of brokers and dealers, and should not be used for any other purpose.

David Merfeld LLC

Boston, Massachusetts
January 23, 2003