

SECUF



03012021

MISSION

AD

SO 3/5/03

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden	
hours per response.....	12.00

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

SEC FILE NUMBER
8- 50162

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: AURORA FINANCIAL SERVICES, L.L.C.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

3600 S. GESSNER, SUITE 200

(No. and Street)

HOUSTON,

(City)

TX

(State)

77063

(Zip Code)

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

DAVID HAYDEN

713-914-9193

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

MORRIS, LIGON & RODRIGUEZ

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

12603 SOUTHWEST FREEWAY, SUITE 420

(Address)

STAFFORD

(City)

TX

(State)

77477-3809

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 18 2003

**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)

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.

BB  
3/11



**Morris, Ligon & Rodriguez**  
Certified Public Accountants  
A Professional Corporation

12603 Southwest Freeway, Suite 420  
Stafford, Texas 77477-3809  
(281) 242-2400  
Fax: (281) 242-6717  
<http://www.mlrcpa.com>

Mr. David Hayden  
Aurora Financial Services, L.L.C.  
3600 S. Gessner, Suite 200  
Houston, Texas 77063

We have audited the balance sheet of Aurora Financial Services, L.L.C. as of December 31, 2002 and the related statements of income, of changes in ownership equity, and of 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 generally accepted auditing standards. 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 Aurora Financial Services, L.L.C. as of December 31, 2002 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Morris, Ligon & Rodriguez, PC

A handwritten signature in cursive script that reads "Morris, Ligon &amp; Rodriguez, PC".

February 24, 2003



**Morris, Ligon & Rodriguez**  
Certified Public Accountants  
A Professional Corporation

---

12603 Southwest Freeway, Suite 420  
Stafford, Texas 77477-3809  
(281) 242-2400  
Fax: (281) 242-6717  
<http://www.mlrcpa.com>

Mr. David Hayden  
Aurora Financial Services, L.L.C.  
3600 S. Gessner, Suite 200  
Houston, Texas 77063

In examining the records of Aurora Financial Services, L.L.C., we have found no material inadequacies in the internal accounting controls.

Morris, Ligon & Rodriguez, PC.

A handwritten signature in cursive script that reads "Morris, Ligon &amp; Rodriguez, PC".

February 24, 2003



**Morris, Ligon & Rodriguez**  
Certified Public Accountants  
A Professional Corporation

12603 Southwest Freeway, Suite 420  
Stafford, Texas 77477-3809  
(281) 242-2400  
Fax: (281) 242-6717  
<http://www.mlrcpa.com>

COMPUTATION OF NET CAPITAL

In our review of the Unaudited Focus Reports, Part IIA regarding the net capital computation of Aurora Financial Services, L.L.C., I have found no material differences between the unaudited reports and my report of February 24, 2003.

Morris, Ligon & Rodriguez, PC.

*Morris, Ligon & Rodriguez, PC*

February 24, 2003

**AURORA FINANCIAL SERVICES, L.L.C.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	\$ 1,117
Amortization of organization costs	100
Total	<u>1,217</u>
Changes in operating assets:	
Decrease in other assets	511
	<u>1,728</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Capital contribution	<u>-</u>
----------------------	----------

**INCREASE IN CASH** 1,728

**CASH - BEGINNING OF YEAR** 6,436

**CASH - END OF YEAR** \$ 8,164

**FORM  
X-17A-5**

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

Part IIA Annual 17a-5(a)

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

## COVER

Select a filing method:

Basic  Alternate  [0011]

Name of Broker Dealer: AURORA FINANCIAL SERVICES, L.L. [0013] SEC File Number: 8- 50162 [0014]  
Address of Principal Place of Business: 3600 S. GESSNER, SUITE 200 [0020]  
HOUSTON TX 77063 [0021] [0022] [0023] Firm ID: 43149 [0015]

For Period Beginning 01/01/2002 [0024] And Ending 12/31/2002 [0025]

Name and telephone number of person to contact in regard to this report:

Name: DAVID ALAN HAYDEN, PRESIDENT [0030] Phone: (713) 914-9193 [0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: \_\_\_\_\_ [0032] Phone: \_\_\_\_\_ [0033]

Name: \_\_\_\_\_ [0034] Phone: \_\_\_\_\_ [0035]

Name: \_\_\_\_\_ [0036] Phone: \_\_\_\_\_ [0037]

Name: \_\_\_\_\_ [0038] Phone: \_\_\_\_\_ [0039]

Does respondent carry its own customer accounts? Yes  [0040] No  [0041]

Check here if respondent is filing an audited report  [0042]

# ASSETS

Consolidated [0198] Unconsolidated [0199]

	Allowable	Non-Allowable	Total
1. Cash	8,164 [0200]		8,164 [0750]
2. Receivables from brokers or dealers:			
A. Clearance account	[0295]		
B. Other	[0300]	[0550]	0 [0810]
3. Receivables from non-customers	[0355]	[0600]	0 [0830]
4. Securities and spot commodities owned, at market value:			
A. Exempted securities	[0418]		
B. Debt securities	[0419]		
C. Options	[0420]		
D. Other securities	[0424]		
E. Spot commodities	[0430]		0 [0850]
Securities and/or other investments not readily marketable:			
A. At cost	[0130]		
B. At estimated fair value	[0440]	[0610]	0 [0860]
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:	[0460]	[0630]	0 [0880]
A. Exempted securities	[0150]		
B. Other securities	[0160]		
7. Secured demand notes market value of collateral:	[0470]	[0640]	0 [0890]
A. Exempted securities	[0170]		
B. Other securities			



## LIABILITIES AND OWNERSHIP EQUITY

	Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13.	Bank loans payable	<u>[1045]</u>	<u>[1255]</u>	<u>0</u> [1470]
14.	Payable to brokers or dealers:			<u>0</u>
A.	Clearance account	<u>[1114]</u>	<u>[1315]</u>	<u>0</u> [1560]
B.	Other	<u>[1115]</u>	<u>[1305]</u>	<u>0</u> [1540]
15.	Payable to non-customers	<u>[1155]</u>	<u>[1355]</u>	<u>0</u> [1610]
16.	Securities sold not yet purchased, at market value		<u>[1360]</u>	<u>0</u> [1620]
17.	Accounts payable, accrued liabilities, expenses and other	<u>[1205]</u>	<u>[1385]</u>	<u>0</u> [1685]
18.	Notes and mortgages payable:			<u>0</u>
A.	Unsecured	<u>[1210]</u>		<u>0</u> [1690]
B.	Secured	<u>[1211]</u>	<u>[1390]</u>	<u>0</u> [1700]
19.	Liabilities subordinated to claims of general creditors:			<u>0</u>
A.	Cash borrowings:			<u>0</u>
1.	from outsiders		<u>[1400]</u>	<u>0</u> [1710]
	<u>[0970]</u>			
2.	Includes equity subordination (15c3-1(d)) of			
	<u>[0980]</u>			
B.	Securities borrowings, at market value:			<u>0</u>
	from outsiders		<u>[1410]</u>	<u>0</u> [1720]
	<u>[0990]</u>			
C.	Pursuant to secured demand note collateral agreements:			<u>0</u>
1.	from outsiders		<u>[1420]</u>	<u>0</u> [1730]
	<u>[1000]</u>			
2.	Includes equity subordination (15c3-1(d)) of			
	<u>[1010]</u>			
D.	Exchange memberships contributed for use of company, at market value		<u>[1430]</u>	<u>0</u> [1740]



## STATEMENT OF INCOME (LOSS)

Period Beginning 01/01/2002  
[3932]

Period Ending 12/31/2002  
[3933]

Number of months 12  
[3931]

### REVENUE

1.	Commissions:	
a.	Commissions on transactions in exchange listed equity securities executed on an exchange	<u>[3935]</u>
b.	Commissions on listed option transactions	<u>[3938]</u>
c.	All other securities commissions	<u>[3939]</u>
d.	Total securities commissions	<u>0</u> <u>[3940]</u>
2.	Gains or losses on firm securities trading accounts	
a.	From market making in options on a national securities exchange	<u>[3945]</u>
b.	From all other trading	<u>[3949]</u>
c.	Total gain (loss)	<u>0</u> <u>[3950]</u>
3.	Gains or losses on firm securities investment accounts	<u>[3952]</u>
4.	Profit (loss) from underwriting and selling groups	<u>[3955]</u>
	Revenue from sale of investment company shares	<u>4,850</u> <u>[3970]</u>
6.	Commodities revenue	<u>[3990]</u>
7.	Fees for account supervision, investment advisory and administrative services	<u>[3975]</u>
8.	Other revenue	<u>31,131</u> <u>[3995]</u>
9.	Total revenue	<u>35,981</u> <u>[4030]</u>

### EXPENSES

10.	Salaries and other employment costs for general partners and voting stockholder officers	<u>3,000</u> <u>[4120]</u>
11.	Other employee compensation and benefits	<u>[4115]</u>
12.	Commissions paid to other broker-dealers	<u>[4140]</u>
13.	Interest expense	<u>[4075]</u>
a.	Includes interest on accounts subject to subordination agreements	<u>[4070]</u>
14.	Regulatory fees and expenses	<u>2,432</u> <u>[4195]</u>
15.	Other expenses	<u>29,432</u> <u>[4100]</u>
16.	Total expenses	<u>34,864</u> <u>[4200]</u>

### NET INCOME

17.	Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16)	<u>1,117</u> <u>[4210]</u>
-----	--	-------------------------------



## EXEMPTIVE PROVISIONS

If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

- A. (k) (1)—Limited business (mutual funds and/or variable annuities only)  [4550]
- B. (k) (2)(i)—"Special Account for the Exclusive Benefit of customers" maintained  [4560]
- C. (k) (2)(ii)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)  [4570]

Clearing Firm SEC#s

Name

Product Code

8- \_\_\_\_\_

[4335A]

\_\_\_\_\_ [4335A2]

\_\_\_\_\_ [4335B]

8- \_\_\_\_\_

[4335C]

\_\_\_\_\_ [4335C2]

\_\_\_\_\_ [4335D]

8- \_\_\_\_\_

[4335E]

\_\_\_\_\_ [4335E2]

\_\_\_\_\_ [4335F]

8- \_\_\_\_\_

[4335G]

\_\_\_\_\_ [4335G2]

\_\_\_\_\_ [4335H]

8- \_\_\_\_\_

[4335I]

\_\_\_\_\_ [4335I2]

\_\_\_\_\_ [4335J]

- D. (k) (3)—Exempted by order of the Commission  [4580]

## COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition			11,292
				[3480]
2.	Deduct ownership equity not allowable for Net Capital			[3490]
3.	Total ownership equity qualified for Net Capital			11,292
				[3500]
4.	Add:			
	A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			0
				[3520]
	B. Other (deductions) or allowable credits (List)			
		[3525A]	[3525B]	
		[3525C]	[3525D]	
		[3525E]	[3525F]	0
				[3525]
5.	Total capital and allowable subordinated liabilities			11,292
				[3530]
6.	Deductions and/or charges:			
	A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	3,128	[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]	-3,128
				[3620]
7.	Other additions and/or credits (List)			
		[3630A]	[3630B]	
		[3630C]	[3630D]	
		[3630E]	[3630F]	0
				[3630]
8.	Net capital before haircuts on securities positions			8,164
				[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		[3734]	
	D. Undue Concentration		[3650]	
	E. Other (List)			



## SCHEDULED WITHDRAWALS

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	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
_[4600]	_____	____[4602]	_____	_____	_____
	[4601]		[4603]	[4604]	[4605]
_[4610]	_____	____[4612]	_____	_____	_____
	[4611]		[4613]	[4614]	[4615]
_[4620]	_____	____[4622]	_____	_____	_____
	[4621]		[4623]	[4624]	[4625]
_[4630]	_____	____[4632]	_____	_____	_____
	[4631]		[4633]	[4634]	[4635]
_[4640]	_____	____[4642]	_____	_____	_____
	[4641]		[4643]	[4644]	[4645]
_[4650]	_____	____[4652]	_____	_____	_____
	[4651]		[4653]	[4654]	[4655]
_[4660]	_____	____[4662]	_____	_____	_____
	[4661]		[4663]	[4664]	[4665]
_[4670]	_____	____[4672]	_____	_____	_____
	[4671]		[4673]	[4674]	[4675]
_[4680]	_____	____[4682]	_____	_____	_____
	[4681]		[4683]	[4684]	[4685]
_[4690]	_____	____[4692]	_____	_____	_____
	[4691]		[4693]	[4694]	[4695]
		TOTAL \$	_____0		
			[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

## STATEMENT OF CHANGES

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

1.	Balance, beginning of period		<u>10,175</u>
			[4240]
A.	Net income (loss)		<u>1,117</u>
			[4250]
B.	Additions (includes non-conforming capital of	<u>                    </u>	<u>                    </u>
		[4262] )	[4260]
C.	Deductions (includes non-conforming capital of	<u>                    </u>	<u>                    </u>
		[4272] )	[4270]
2.	Balance, end of period (From item 1800)		<u>11,292</u>
			[4290]

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

3.	Balance, beginning of period		<u>                    </u>
			[4300]
A.	Increases		<u>                    </u>
			[4310]
B.	Decreases		<u>                    </u>
			[4320]
	Balance, end of period (From item 3520)		<u>                    0</u>
			[4330]