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SECURITIES



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**ANNUAL AUDITED REPORT
FORM X -17a-5
PART III
FACING PAGE**



SEC FILE NUMBER
8-14953

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
Aon Securities Corporation

OFFICE USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
200 E. Randolph Street, Floor 5

(No. and Street)

Chicago
(City)

Illinois
(State)

60601
(Zip Code)

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

Brian Lawrence

(312-381-3430)
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Ernst & Young LLP

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

233 South Wacker Drive
(Address)

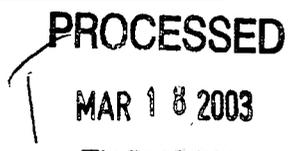
Chicago
(City)

Illinois
(State)

60606
(Zip Code)

CHECK ONE:

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



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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).

BB 7/17

OATH OR AFFIRMATION

To the best of my knowledge and belief, the accompanying financial statements and supplemental information pertaining to the firm of Aon Securities Corporation as of December 31, 2002, are true and correct. I further affirm that neither the Company nor any principal officer or director has any proprietary interest in any account classified solely as that of a customer.

Brian Lawrence

Brian Lawrence
Controller and Financial Operations Principal,
Aon Securities Corporation

Megan Roberts

Notary Public



This report contains:

- (x) (a) Facing page
 - (x) (b) Statement of Financial Condition
 - (x) (c) Statement of Operations
 - (x) (d) Statement of Cash Flows
 - (x) (e) Statement of Changes in Member's Equity
 - () (f) Statement of Changes in Subordinated Borrowings
- Additional information:
- (x) (g) Computation of Net Capital
 - (x) (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3
 - (x) (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 15c3-1 and the Computation for Determination of the Reserve Requirements pursuant to Rule 15c3-3
 - () (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation
 - (x) (l) An Oath or Affirmation
 - () (m) A copy of the SIPC Supplemental Report
 - (x) (n) Independent Auditors' Supplementary Report on Internal Control

Aon Securities Corporation

Financial Statements and Supplemental Information

Year ended December 31, 2002

with Report and Supplemental Report of Independent Auditors

Aon Securities Corporation
Financial Statements and Supplementary Schedules
December 31, 2002

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Report of Independent Auditors

Board of Directors and Stockholders
Aon Securities Corporation

We have audited the accompanying statement of financial condition of Aon Securities Corporation (the Company) as of December 31, 2002, and the related statements of operations, changes in stockholders' 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. 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 Aon Securities Corporation 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 basic financial statements taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are 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 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.

Ernst & Young LLP

Chicago, Illinois
February 14, 2003

Aon Securities Corporation
Statement of Financial Condition
December 31, 2002

Assets	
Cash and cash equivalents	\$ 7,904,419
Fees receivable	1,050,000
Receivable from affiliates	21,277,647
Prepaid expenses and other assets	<u>17,531</u>
Total Assets	<u><u>\$ 30,249,597</u></u>
Liabilities and Stockholders' Equity	
Liabilities	
Payable to affiliate	\$ 223,494
Accounts payable and accrued expenses	<u>129,935</u>
Total Liabilities	<u>353,429</u>
Stockholders' equity	
Common stock, no par value; 200 shares authorized; 110 shares issued and outstanding	11,000
Additional paid-in capital	3,560,000
Retained earnings	<u>26,325,168</u>
Total Stockholders' Equity	<u>29,896,168</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 30,249,597</u></u>

See notes to financial statements.

Aon Securities Corporation
Statement of Operations
Year ended December 31, 2002

Revenues	
Underwriting and advisory fees	\$ 912,679
Interest	560,810
Commissions and distribution fees	256,634
Net trading losses	<u>(98,267)</u>
Total Revenues	1,631,856
Expenses	
Consulting fees	378,679
Legal fees	142,147
Clearing fees	63,175
Licensing & registration	46,366
Professional services	37,862
General & administrative	<u>32,008</u>
Total Expenses	<u>700,237</u>
Income Before Income Taxes	931,619
Income tax expense, current	<u>(372,815)</u>
Net Income	<u>\$ 558,804</u>

See notes to financial statements.

Aon Securities Corporation
Statement of Changes in Stockholders' Equity
Year ended December 31, 2002

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2002	\$ 11,000	\$ 3,560,000	\$ 25,766,364	\$ 29,337,364
Net income	—	—	558,804	558,804
Balance at December 31, 2002	<u>\$ 11,000</u>	<u>\$ 3,560,000</u>	<u>\$ 26,325,168</u>	<u>\$ 29,896,168</u>

See notes to financial statements.

Aon Securities Corporation
Statement of Cash Flows
Year ended December 31, 2002

Operating activities:

Net income	\$	558,804
Adjustments to reconcile net income to cash used in operating activities:		
Changes in operating assets and liabilities:		
Securities owned		3,671,332
Fees receivable		532,000
Receivable from affiliates		(20,378,798)
Interest receivable		39,003
Prepaid expenses and other assets		94,306
Accounts payable and accrued expenses		(282,757)
Payable to affiliates		(9,309,308)
Payable for security purchased		<u>(2,000,000)</u>
Net cash used in operating activities		<u>(27,075,418)</u>
Decrease in cash and cash equivalents		(27,075,418)
Cash and cash equivalents at beginning of year		<u>34,979,837</u>
Cash and cash equivalents at end of year	\$	<u>7,904,419</u>

Supplemental disclosure of cash flow information

Cash paid for:		
Income taxes	\$	<u>9,809,092</u>

See notes to financial statements.

Aon Securities Corporation
Notes to Financial Statements

1. Organization and Operations

Aon Securities Corporation (the Company) is a subsidiary of Aon Corporation (Aon) and a registered broker-dealer of the Securities and Exchange Commission (SEC), a member of the National Association of Securities Dealers, Inc. (NASD), the Ontario Securities Commission (OSC), the Municipal Securities Regulatory Board (MSRB) and all fifty states securities commissions. The Company is jointly owned by Aon Corp. (91%) and Aon Group, Inc. (9%).

The Company's capital market activities include underwriting or participating in the selling group for offerings of debt, convertible debt, preferred stock and other type equity securities, catastrophe equity put options ("CatEPuts"), and private placement asset backed securities. The Company's investment banking activities are conducted under the name of Aon Capital Markets.

The Company's broker-dealer activities include selling variable products, limited partnerships, institutional distribution of non-affiliated mutual funds, consulting services, and secondary market trading of risk linked securities on an agency basis.

2. Significant Accounting Policies

Revenue Recognition

Underwriting fees from securities offerings and related advisory fees are recorded when earned. Commission revenues representing sales charges and renewal fees collected from various investors for which the Company is the broker-dealer of record are recorded when earned. Distribution fees and commission revenues representing administrative and sales charges from investment companies for which the Company is the broker-dealer of record are recorded when received which is not materially different from amounts earned.

Cash Equivalents

The Company considers its investment in money market funds to be a cash equivalent.

Securities Owned

Securities transactions and related revenues and expenses are recorded on a trade date basis. The Company buys and sells certain risk linked debt securities in the secondary market.

Aon Securities Corporation
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Income Taxes

The Company is included in Aon's consolidated federal income tax return and Illinois state income tax return. The Company files a separate state income tax return in all states where it is required to do so. In accordance with a tax sharing agreement between Aon and the Company, federal and state income taxes have been provided for as if the Company was filing separate returns.

Income tax expense was computed by applying the effective tax rate of 40%. The difference between the statutory rate of 35% and the Company's effective rate of 40% is due to state income taxes.

4. Related Party Transactions

The Company has entered into a master note agreement with Aon under which certain intercompany transactions between the Company and Aon are funded and repaid. The note accrues interest at a variable rate (2.41% at December 31, 2002). The note, including accrued interest, is due and payable on demand. During 2002, the Company earned interest of \$326,809 on the note.

The Company paid \$378,679 in consulting fees to Aon Capital Markets Limited. The fees were for structuring, modeling, and advisory services related to a security underwriting.

The Company also allocates certain operating expenses to its affiliates. Certain unreimbursed salary and general and administrative expenses, including the compensation of brokers and agents, are incurred by affiliated companies on behalf of the Company and are not reported in the accompanying statement of operations.

Aon Securities Corporation
Notes to Financial Statements

5. Net Capital and Other Requirements

The Company, as a broker-dealer registered with the SEC, is subject to the Uniform Net Capital Rule of the SEC (Rule 15c3-1). The Rule requires the maintenance of minimum net capital equal to the greater of \$100,000 or 6-2/3% of aggregate indebtedness, as defined, and that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2002, net capital was \$7,396,396 which was \$7,296,396 in excess of required net capital, and the ratio of aggregate indebtedness to net capital was .05 to 1. Advances to affiliates and dividends to Aon may be subject to certain notification and other provisions of the net capital rule of the SEC.

Supplemental Information

Aon Securities Corporation
Schedule 1 - Computation of Net Capital Under
Rule 15c3-1 of the Securities Exchange Commission
December 31, 2002

Stockholders' equity	\$ 29,896,168
Deductions and charges	
Fees receivable	1,050,000
Receivable from affiliates	21,277,647
Prepaid expenses and other assets	<u>17,531</u>
	<u>22,345,178</u>
Haircuts on securities	
Money market fund	<u>154,594</u>
Net capital	<u><u>\$ 7,396,396</u></u>

There were no differences between the above computation of net capital and the corresponding computation submitted by the Company in Part IIA of its unaudited Focus filing as of December 31, 2002.

Aon Securities Corporation
Schedule 2 - Computation of Basic Net Capital
Requirement and Computation of Aggregate Indebtedness
December 31, 2002

Minimum net capital (greater of 6 2/3% of aggregate indebtedness or \$100,000)	\$ <u>100,000</u>
Excess net capital	\$ <u>7,296,396</u>
Excess net capital at 1,000% (net capital less 10% of total aggregate indebtedness)	\$ <u>7,361,053</u>
Total liabilities from statement of financial condition	\$ 353,429
Add:	
Drafts for immediate credit	<u>—</u>
Market value of securities borrowed for which its equivalent value is paid or credited	<u>—</u>
Other unrecorded amounts	<u>—</u>
Deduct: Adjustment based on deposits in special reserve bank accounts	<u>—</u>
Total aggregate indebtedness	\$ <u>353,429</u>
Percentage of aggregate indebtedness to net capital	4.8%

There were no differences between the above computation and the corresponding computation submitted by the Company in Part IIA of its unaudited Focus filing as of December 31, 2002.

Aon Securities Corporation
Schedule 3 - Computation of Determination of Reserve Requirement
Under Rule 15c3-3 of the Securities and Exchange Commission
December 31, 2002

The Company is exempt from Rule 15c3-3 under (k)(2)(ii) of the Rule. The name of the clearing firm is Bear Stearns Securities Corporation.

Supplemental Report of Independent Auditors on Internal Control

Board of Directors and Stockholders
Aon Securities Corporation

In planning and performing our audit of the financial statements of Aon Securities Corporation (the "Company") for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, 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 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 the 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 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 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 internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projections 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 its 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 one or more 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 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 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.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., 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.

Chicago, Illinois
February 14, 2003

Ernst & Young LLP