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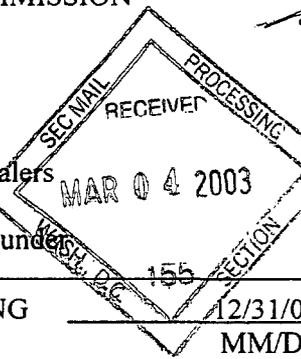
U.S. SECURITIES AND EXCHANGE COMMISSION



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Annual Audited Report
Form X-17A-5
Part III

Information Required of Brokers and Dealers
Pursuant to Section 17 of the Securities
Exchange Act of 1934 and Rule 17a-5 Thereunder

SEC File No.

8-44622

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: Payden & Rygel Distributors

Official Use Only

Firm ID No.

Payden & Rygel

ADDRESS OF PRINCIPAL PLACE OF BUSINESS:

(Do not use P.O. Box No.)

333 S. Grand Avenue, 32nd Floor

(No. and Street)

Los Angeles,
(City)

California
(State)

90071
(Zip Code)

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

Bradley F. Hersh

(213)
(Area Code)

625-1900
Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this report*

DELOITTE & TOUCHE LLP

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

350 S. Grand Ave.
(ADDRESS)

Los Angeles,
(City)

California
(State)

90071
(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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FINANCIAL

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* 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)

MAR 21 2003

Deloitte & Touche LLP
350 South Grand Avenue
SUITE 200
Los Angeles, California 90071-3462

Tel: (213) 688-0800
Fax: (213) 688-0100
www.deloitte.com



INDEPENDENT AUDITORS' REPORT

Stockholder of Payden & Rygel Distributors

We have audited the following financial statements of Payden & Rygel Distributors (the "Company") for the year ended December 31, 2002 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934:

	Page
Statement of Financial Condition	3
Statement of Operations	4
Statement of Changes in Stockholder's Equity	5
Statement of Cash Flows	6

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, such financial statements present fairly, in all material respects, the financial position of Payden & Rygel Distributors 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 of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplemental schedule of Payden & Rygel Distributors as of December 31, 2002 is presented for the purpose 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:

	Page
Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934	9

This schedule is the responsibility of the Company's management. Such schedule 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 when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

February 25, 2003

PAYDEN & RYGEL DISTRIBUTORS

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2002

ASSETS

CASH	\$ 85,475
DUE FROM PARENT	116,524
FEE RECEIVABLE FROM BROKER-DEALERS AND OTHER	5,685
PREPAID EXPENSES	<u>50,416</u>
TOTAL	<u>\$258,100</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES	<u>\$ -</u>
STOCKHOLDER'S EQUITY:	
Common stock, \$10 par value—1,000,000 shares authorized, 250 issued and outstanding	2,500
Additional paid-in capital	322,699
Accumulated deficit	<u>(67,099)</u>
Total stockholder's equity	<u>258,100</u>
TOTAL	<u>\$258,100</u>

See notes to financial statements.

PAYDEN & RYGEL DISTRIBUTORS

STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2002

REDEMPTION FEE REVENUE	\$ 124,890
GENERAL AND ADMINISTRATIVE EXPENSES	<u>194,509</u>
LOSS BEFORE INCOME TAX BENEFIT	(69,619)
INCOME TAX BENEFIT	<u>(28,367)</u>
NET LOSS	<u>\$ (41,252)</u>

See notes to financial statements.

PAYDEN & RYGEL DISTRIBUTORS

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY YEAR ENDED DECEMBER 31, 2002

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total Stockholder's Equity
BALANCE, JANUARY 1, 2002	\$2,500	\$322,699	\$(25,847)	\$299,352
Net loss	_____	_____	<u>(41,252)</u>	<u>(41,252)</u>
BALANCE, DECEMBER 31, 2002	<u>\$2,500</u>	<u>\$322,699</u>	<u>\$(67,099)</u>	<u>\$258,100</u>

See notes to financial statements.

PAYDEN & RYGEL DISTRIBUTORS

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (41,252)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Decrease in prepaid expenses	7,613
Decrease in fees receivable from broker-dealers and others	63,799
Increase in due from Parent	<u>(28,367)</u>
Net cash provided by operating activities and net increase in cash	1,793
CASH, BEGINNING OF YEAR	<u>83,682</u>
CASH, END OF YEAR	<u>\$ 85,475</u>

See notes to financial statements.

PAYDEN & RYGEL DISTRIBUTORS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2002

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Payden & Rygel Distributors, a California corporation (the "Company"), was incorporated in February 1992 and is a wholly owned subsidiary of Payden & Rygel (the "Parent"). The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") in each of the 50 states and the District of Columbia. The Company is also a member of the National Association of Securities Dealers, Inc. ("NASD"). The Company serves as distributor of shares of the Payden & Rygel Investment Group and Metzler/Payden Investment Group, both a series of mutual funds (collectively, the "Funds"). The Funds are managed by the Parent and Metzler/Payden, an affiliated company. The Company sells shares of the Funds directly to investors at no commission. Proceeds from the sale of the Funds' shares are deposited directly with the Funds' custodian by the investor and are not maintained in any customer account with the Company.

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.

Some of the Funds maintain a redemption fee payable to the Company for shares held less than 60 days. Such fees are receivable by the Company from the clearing organization and various broker-dealers and are recorded on a trade-date basis.

Fees receivable from broker-dealers include amounts due for redemption fees earned by the Company but not yet received.

General and administrative expenses consist of registration, marketing and professional fees. There is no allocation made by the Parent for management, occupancy or administrative costs.

2. RELATED PARTY TRANSACTIONS

The Company has an agreement with its Parent whereby the Parent may pay the Company a fee in connection with the expenses incurred by the Company. The amount and timing of payment are at the discretion of the Parent, but shall not exceed the total expenses incurred by the Company, and the timing of payment shall be such that the Company always maintains capital in excess of all regulatory requirements. Amounts due from the Parent are non-interest bearing. There was no fee revenue from the Parent for the year ended December 31, 2002.

3. INCOME TAXES

The Company files its tax return on a consolidated basis with the Parent and has a tax-sharing agreement to compute income tax expense/benefit on a pro rata basis.

Income taxes, if any, are provided for current taxes payable or refundable and temporary differences arising from future tax consequences of events that have been recognized in the Company's financial statements or income tax returns. The effect of income taxes is measured based on enacted tax laws and rates.

The income tax benefit of \$28,367 for the year ended December 31, 2002 has been recorded as an increase in the due from Parent account in the statement of financial condition. There is no deferred tax liability as of December 31, 2002.

4. NET CAPITAL REQUIREMENT

As a registered broker-dealer, the Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2002, the Company had net capital, as defined, of \$91,160, which was \$86,160 in excess of its required net capital of \$5,000.

5. RESERVE REQUIREMENTS FOR BROKERS OR DEALERS

The Company is exempt from the provisions of Rule 15c3-3 (pursuant to paragraph k(2)(ii) of such Rule) under the Securities Exchange Act of 1934 as an introducing broker or dealer that carries no customers' accounts, promptly transmits any customer funds and customer securities to the clearing broker or dealer, and does not otherwise hold funds or securities of customers. Because of such exemption, the Company is not required to prepare a determination of reserve requirements for brokers or dealers.

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SUPPLEMENTAL SCHEDULE

PAYDEN & RYGEL DISTRIBUTORS

**COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO
RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934
DECEMBER 31, 2002**

NET CAPITAL—Total stockholder’s equity	<u>\$258,100</u>
DEDUCTIONS—Nonallowable assets included in the following statement of financial condition captions:	
Due from Parent	116,524
Prepaid expenses	<u>50,416</u>
Total deductions	<u>166,940</u>
NET CAPITAL	91,160
MINIMUM NET CAPITAL REQUIRED	<u>5,000</u>
EXCESS NET CAPITAL	<u>\$ 86,160</u>
AGGREGATE INDEBTEDNESS INCLUDED IN THE STATEMENT OF FINANCIAL CONDITION	<u>\$ -</u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	N/A

Note: A reconciliation of the above computation to the Company’s corresponding unaudited Form X-17A-5, Part II is not required, as no material differences exist.

Deloitte & Touche LLP
350 South Grand Avenue
SUITE 200
Los Angeles, California 90071-3462

Tel: (213) 688-0800
Fax: (213) 688-0100
www.deloitte.com

**Deloitte
& Touche**

**SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
REQUIRED BY SEC RULE 17a-5**

Stockholder of Payden & Rygel Distributors

In planning and performing our audit of the financial statements of Payden & Rygel Distributors (the "Company"), a California corporation and wholly owned subsidiary of Payden & Rygel, for the year ended December 31, 2002 (on which we issued our report dated February 25, 2003), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, 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 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities 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 internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") 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 acquisition, 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 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 any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 the Company's internal control and its operation (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 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 information and use of the board of directors, management, the Securities and Exchange Commission, 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 of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

February 25, 2003