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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 - 36653

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
S&P Investors, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

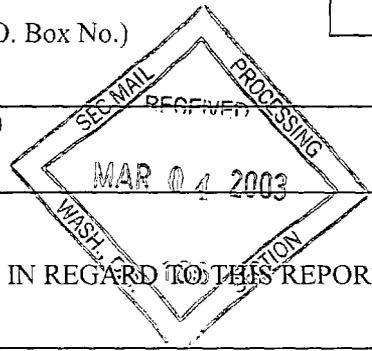
12720 Hillcrest Road, Suite 108

(No. and Street)

Dallas
(City)

Texas
(State)

75230
(Zip Code)



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

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Phillip V. George, PLLC

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

2300 Honey Locust Drive
(Address)

Irving
(City)

Texas
(State)

75063
(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 21 2003

FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

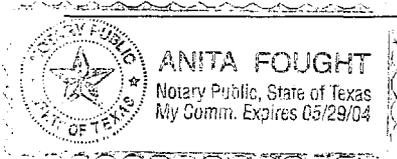
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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OATH OR AFFIRMATION

I, Stuart G. Potter, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of S&P Investors, Inc., as of December 31, 2002, 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:

NONE



Anita Fought
Notary Public

Stuart G. Potter, Jr.
Signature

President
Title

This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 15c3-1 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.
- (o) Independent auditor's report on the internal control as required by SEC rule 17a-5.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

S&P INVESTORS, INC.

FINANCIAL REPORT

DECEMBER 31, 2002

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PHILLIP V. GEORGE, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
S&P Investors, Inc.

We have audited the accompanying statement of financial condition of S&P Investors, Inc. as of December 31, 2002, and the related statements of income, changes in stockholders' equity, and 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. 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, the financial statements referred to above present fairly, in all material respects, the financial position of S&P Investors, Inc. as of 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 information contained in Schedules I and II 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.



PHILLIP V. GEORGE, PLLC

Irving, Texas
January 17, 2003

S&P INVESTORS, INC.
Statement of Financial Condition
December 31, 2002

ASSETS

Cash and cash equivalents	\$ 167,939
Receivable from clearing broker/dealer	200
Clearing deposit	6,005
Marketable securities	13,199
Property and equipment, net of accumulated depreciation of \$53,657	11,823
Other assets	<u>2,250</u>
TOTAL ASSETS	<u><u>\$ 201,416</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Accounts payable	\$ 11,933
Accrued expenses	121,493
Income taxes payable	<u>2,571</u>
TOTAL LIABILITIES	<u>135,997</u>

Stockholders' Equity

Common stock, 5,000,000 shares authorized of no par value, 2,550,000 shares issued and 2,168,966 shares outstanding	40,000
Additional paid-in capital	7,982
Retained earnings	<u>27,437</u>
	75,419
Treasury stock, 381,034 shares at cost	<u>(10,000)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>65,419</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 201,416</u></u>

S&P INVESTORS, INC.
Statement of Income
Year Ended December 31, 2002

Revenue

Securities commissions	\$ 1,053,884
Revenue from the sale of investment company shares	78,957
Investment advisory fees	35,890
Other revenue	<u>31,760</u>
 TOTAL REVENUE	 <u>1,200,491</u>

Expenses

Compensation and related costs	871,935
Clearing charges	189,636
Communications	48,547
Occupancy and equipment costs	38,879
Promotional costs	10,257
Losses in error account and bad debts	1,351
Regulatory fees and expenses	6,234
Other expenses	<u>21,472</u>
 TOTAL EXPENSES	 <u>1,188,311</u>

Other Losses

Unrealized loss on marketable securities	3,343
Unrealized loss on non-marketable securities	<u>16,800</u>
 Total other losses	 <u>20,143</u>
 Net loss before provision for income tax	 (7,963)
 Provision for income tax	 <u>2,571</u>
 NET LOSS	 <u><u>\$ (10,534)</u></u>

S&P INVESTORS, INC.
Statement of Changes in Stockholders' Equity
Year Ended December 31, 2002

	<u>Common Shares Issued</u>	<u>Treasury Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
Balances at December 31, 2001	2,550,000	381,034	\$ 40,000	\$ 7,982	\$ 37,971	\$ (10,000)	\$ 75,953
Net loss	-	-	-	-	(10,534)	-	(10,534)
Balances at December 31, 2002	<u>2,550,000</u>	<u>381,034</u>	<u>\$ 40,000</u>	<u>\$ 7,982</u>	<u>\$ 27,437</u>	<u>\$ (10,000)</u>	<u>\$ 65,419</u>

S&P INVESTORS, INC.
Statement of Cash Flows
Year Ended December 31, 2002

Cash flows from operating activities:

Net loss	\$ (10,534)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	6,600
Unrealized loss on marketable securities	3,343
Unrealized loss on non-marketable securities	16,800
Change in assets and liabilities	
Decrease in receivable from clearing broker/dealer	18,614
Decrease in clearing deposit	9,002
Increase in accounts payable	5,565
Increase in accrued expenses	17,720
Increase in income taxes payable	646
Net cash provided by operating activities	67,756
Net increase in cash and cash equivalents	67,756
Cash and cash equivalents at beginning of year	100,183
Cash and cash equivalents at end of year	\$ 167,939

Non-Cash Investing Activities:

Non-marketable securities owned by the Company with a cost totaling \$16,300 become marketable during the year (See Note 4).

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:

Interest	\$ 15
Income taxes	\$ 1,925

S&P INVESTORS, INC.
Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies

Nature of Business:

S&P Investors, Inc. (Company) was organized in August 1986 as a Texas corporation. The Company is registered as a broker/dealer with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company is registered as an investment advisor with the state of Texas. The Company's customers are primarily individuals in Texas.

Significant Accounting Policies:

Basis of Accounting

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully-disclosed basis with a clearing broker/dealer, and promptly transmit all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the 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.

Cash Equivalents

Money market funds are considered cash equivalents.

Marketable Securities

Marketable securities are held for investment purposes and are carried at fair value. The increase or decrease in fair value is credited or charged to operations.

S&P INVESTORS, INC.
Notes to Financial Statements

Note 1 - Nature of Business and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation. Depreciation is provided for by accelerated methods using estimated lives of five to seven years.

Treasury Stock

Treasury stock is accounted for using the cost method.

Securities Transactions

Securities transactions and the related commission revenue and expenses are recorded on a trade date basis.

Investment Advisory Fees

Investment advisory fees are earned based on contractual percentages of client assets under management. The fees are billed quarterly in arrears.

Note 2 - Transactions with Clearing Broker/Dealer

The agreement with the clearing broker/dealer provides for clearing charges at a fixed rate multiplied by the number of tickets traded by the Company. The agreement also requires the Company to maintain a minimum of \$6,000 as a deposit in an account with the clearing broker/dealer.

Note 3 - Net Capital Requirements

The Company is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2002, the Company had net capital and net capital requirements of \$48,544 and \$9,064, respectively. The Company's net capital ratio was 2.8 to 1.

S&P INVESTORS, INC.
Notes to Financial Statements

Note 4 - Marketable / Non-Marketable Securities

The Company's marketable securities consist of equity securities with a market value of \$13,199, cost of \$16,463 and accumulated unrealized losses of \$3,264. The unrealized loss for the year ended December 31, 2002 was \$3,343.

The Company's non-marketable securities consist of 1,200 warrants of the NASD to purchase shares of common stock of the Nasdaq Stock Market, Inc. with a fair value of zero, cost of \$16,800 and accumulated unrealized losses of \$16,800. The unrealized loss for the year ended December 31, 2002 was \$16,800. Each warrant entitles the Company to purchase four shares of common stock. The warrants are exercisable as follows:

<u>Shares subject to exercise</u>	<u>Exercisable on or after</u>	<u>Expiration</u>	<u>Exercise Price</u>
1,200	June 28, 2002	June 27, 2003	\$13
1,200	June 30, 2003	June 25, 2004	\$14
1,200	June 28, 2004	June 27, 2005	\$15
1,200	June 28, 2005	June 27, 2006	\$16

Note 5 - Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation and consists of the following:

Equipment	\$ 45,251
Furniture and fixtures	<u>20,229</u>
	65,480
Accumulated depreciation	<u>(53,657)</u>
	<u>\$ 11,823</u>

Depreciation expense for the year was \$6,600 and is reflected in the accompanying statement of income in occupancy and equipment costs.

Note 6 - Income Taxes

The primary difference between income tax expense attributable to continuing operations for the year and the amount of income tax expense that would result from applying domestic federal statutory rates to pretax income from continuing operations is the unrealized losses on marketable and non-marketable securities which are not deductible by the Company for income tax purposes.

S&P INVESTORS, INC.
Notes to Financial Statements

Note 7 - Profit Sharing Plan

The Company adopted a profit sharing plan (the Plan) effective May 1992. The Company and eligible employees both may contribute to the Plan. The Plan is administered on a calendar year basis. All employees over age 21 are eligible to participate. Employee salary deferral contributions and earnings on these contributions are 100% vested. Employer contributions and earnings on these contributions are 100% vested after one year of service. There were no Plan expenses incurred or contributions made by the Company for the year ending December 31, 2002.

Note 8 - Commitments

The Company leases office space under a noncancellable operating lease, which is personally guaranteed by the Company's president and majority shareholder, expiring October 31, 2003. Future minimum lease commitments due for the year ending December 31, 2003 are \$22,500.

Office rent expense for the year was \$28,748 and is reflected in the accompanying statement of income in occupancy and equipment costs.

Note 9 - Concentration of Credit Risk

Cash held at a one financial institution exceeded the federally insured limit by \$67,653 at December 31, 2002; however, this at risk amount is subject to significant fluctuations on a daily basis throughout the year.

Note 10 - Off-Balance-Sheet Risk

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully-disclosed basis with its clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection of and payment of funds and, receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that customer transactions are executed properly by the clearing broker/dealer.

Schedule I

S&P INVESTORS, INC.
Computation of Net Capital and Aggregate Indebtedness
Pursuant to Rule 15c3-1
December 31, 2002

Total stockholder's equity qualified for net capital	<u>\$ 65,419</u>
Deductions and/or charges	
Non-allowable assets:	
Receivable from clearing broker/dealer	200
Property and equipment, net	11,823
Other assets	<u>2,250</u>
Total deductions and/or charges	<u>14,273</u>
Net capital before haircuts on securities positions	51,146
Haircuts on securities:	
Marketable securities	2,152
Undue concentration	<u>450</u>
Total haircuts on securities:	<u>2,602</u>
Net Capital	<u><u>\$ 48,544</u></u>
Aggregate indebtedness	
Accounts payable	\$ 11,933
Accrued expenses	121,493
Income taxes payable	<u>2,541</u>
Total aggregate indebtedness	<u><u>\$ 135,967</u></u>
Computation of basic net capital requirement	
Minimum net capital required (greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 9,064</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 39,480</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>2.8 to 1</u></u>

Schedule II

S&P INVESTORS, INC.
Reconciliation of the Computation of Net Capital
with that of the Registrant as
Filed in Part IIA of Form X-17a-5
As of December 31, 2002

Net capital as reported by Registrant in Part IIA of Form X-17a-5 as of December 31, 2002 (unaudited)	38,665
Audit adjustments:	
Increase in income taxes payable	(721)
Reclassification of non-marketable to marketable securities	13,000
Increase in haircuts on securities	(1,950)
Increase in undue concentration	(450)
Net capital as computed on Schedule I	<u>\$ 48,544</u>

PHILLIP V. GEORGE, PLLC
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL**

Board of Directors
S&P Investors, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of S&P Investors, Inc. (the Company) for the year ended December 31, 2002, we considered its internal control, 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 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 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 preparation of financial statements in accordance with generally accepted accounting principles. 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, 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 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 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.



PHILLIP V. GEORGE, PLLC

Irving, Texas
January 17, 2003