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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

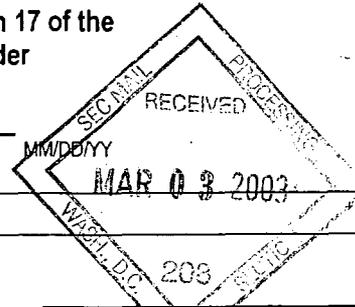
**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER  
**8-53076**

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 1/01/02 AND ENDING 12/31/02  
MM/DD/YY



**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**Summer Street Securities, LLC**

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

**1200 Summer Street, Suite 301**  
(No. and Street)

**Stamford**  
(City)

**Connecticut**  
(State)

**06905**  
(Zip Code)

OFFICIAL USE ONLY  
FIRM ID. NO

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

**Andrew E. Gochberg, Managing Member**

**(203) 359 2221**

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

**McGLADREY & PULLEN, LLP**

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

**30 South Wacker Dr.**  
(Address)

**Chicago**  
(City)

**IL**  
(State)

**60606-7438**  
(Zip Code)

CHECK ONE:

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

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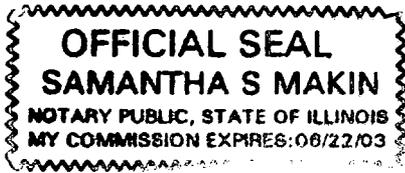
FOR OFFICIAL USE ONLY  
**THOMSON FINANCIAL**

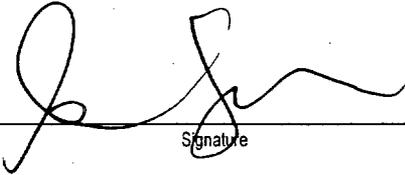
\* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

BP 3/19

## OATH OR AFFIRMATION

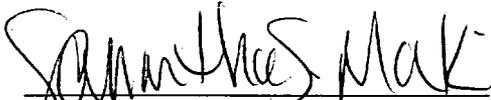
I, **Andrew E. Gochberg** swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Summer Street Securities, LLC**, as of **December 31, 2002**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.



  
Signature

Managing Member

Title

  
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 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 Internal Control.

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

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# McGladrey & Pullen

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Members  
Summer Street Securities, LLC  
Stamford, Connecticut

We have audited the accompanying statement of financial condition of Summer Street Securities, LLC as of December 31, 2002, and the related statements of operations, changes in members' capital, 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 Summer Street Securities, LLC 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, II and III 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 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.

*McGladrey & Pullen, LLP*

Chicago, Illinois  
February 11, 2003

SUMMER STREET SECURITIES, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 2002

**ASSETS**

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Receivable from broker-dealer	\$ 1,114,144
Investment - not readily marketable	<u>50,000</u>
<b>Total assets</b>	<b><u>\$ 1,164,144</u></b>

**LIABILITIES AND MEMBERS' CAPITAL**

Liabilities	
Options sold, not yet purchased, at market	\$ 51,900
Accounts payable and accrued expenses	<u>8,230</u>
<b>Total liabilities</b>	<b>60,130</b>
Members' Capital	<u>1,104,014</u>
<b>Total liabilities and members' capital</b>	<b><u>\$ 1,164,144</u></b>

The accompanying notes are an integral part of these financial statements.

SUMMER STREET SECURITIES, LLC

STATEMENT OF OPERATIONS

Year Ended December 31, 2002

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Revenue:	
Net trading losses	<u>\$ (908,799)</u>
Expenses:	
Exchange fees	28,864
Membership rental	16,174
Professional fees	21,230
Other operating expenses	533
Total expenses	<u>66,801</u>
Net loss	<u>\$ (975,600)</u>

The accompanying notes are an integral part of these financial statements.

SUMMER STREET SECURITIES, LLC

STATEMENT OF CHANGES IN MEMBERS' CAPITAL  
Year Ended December 31, 2002

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Balance, January 1, 2002	\$ 1,259,614
Contributions	820,000
Net loss	<u>(975,600)</u>
Balance, December 31, 2002	<u>\$ 1,104,014</u>

The accompanying notes are an integral part of these financial statements.

SUMMER STREET SECURITIES, LLC

STATEMENT OF CASH FLOWS  
Year Ended December 31, 2002

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Cash Flows From Operating Activities	
Net loss	\$ (975,600)
Adjustments to reconcile net loss to net cash used in operating activities:	
Decrease in operating assets:	
Receivable from broker-dealer	630,120
Increase (decrease) in operating liabilities:	
Securities sold, not yet purchased	(478,750)
Accounts payable and accrued expenses	4,230
<b>Net cash (used in) operating activities</b>	<u><u>(820,000)</u></u>
Cash Flows From Financing Activities	
Member contributions	
<b>Net cash provided by financing activities</b>	<u>820,000</u>
<b>Net change in cash</b>	-
Cash:	
Beginning	<u>-</u>
Ending	<u><u>\$ -</u></u>
Supplemental Disclosure of Cash Flow Information	
Interest paid	\$ 4,392

The accompanying notes are an integral part of these financial statements.

## SUMMER STREET SECURITIES, LLC

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Nature of Business and Significant Accounting Policies**

Nature of business: Summer Street Securities, LLC (the Company) is a Connecticut limited liability company established on November 3, 2000. The Company is registered as a broker-dealer under the Securities Exchange Act of 1934. The Company's primary business operation is conducting proprietary trading of securities and equity options which are cleared through Pax Clearing Corporation (Pax), a related party through common ownership. The Company's principal operations are located in Chicago, Illinois.

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: Securities transactions and related income and expenses are recorded on the trade date basis. Net trading gains (losses) include realized and unrealized trading gains and losses, interest income, interest expense, dividend income, dividend expense and clearing and execution fees.

Investment: The Company is accounting for the investment at cost.

Securities owned and securities sold not yet purchased: Securities owned and securities sold, not yet purchased are recorded at market value, with unrealized gains and losses reflected in income.

Income taxes: The Company is a Connecticut limited liability company and is not subject to federal income tax. The members' respective shares of the Company's income or loss are reportable on their separate federal and state income tax returns.

#### **Note 2. Securities Sold, Not Yet Purchased**

At December 31, 2002, securities sold, not yet purchased, is comprised of short option positions.

#### **Note 3. Financial Instruments with Off Balance Sheet Risk**

Securities transactions are introduced to and cleared through Pax. The Company seeks to control risks associated with its trading activities by maintaining collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, deposits additional collateral or reduces positions when necessary.

The Company, as part of its normal business activities, sells short securities and options in its trading inventory. In the event that market values significantly change, the Company is exposed to potential losses due to its obligation to cover such short security positions or potentially liquidate long security positions at prevailing market rates assigned resulting from carrying open short option positions. At December 31, 2002, the Company maintained short option positions with market values of \$51,900. The Company monitors such risk on a daily basis.

NOTES TO FINANCIAL STATEMENTS

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**Note 3. Financial Instruments with Off Balance Sheet Risk (continued)**

Concentrations of credit risk: As a securities broker-dealer, a substantial portion of the Company's transactions are collateralized. The Company's exposure to credit risk associated with nonperformance in fulfilling contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair members' and/or counterparties' abilities to satisfy their obligations to the Company. The Company controls its exposure to credit risk by continually monitoring its members' positions, and where deemed necessary, the Company may require a deposit of additional collateral and/or a reduction or diversification of positions.

Market risk: Market risk arises due to fluctuations in interest rates and market prices that may result in changes in the values of trading instruments. The Company manages its exposure to market risk resulting from trading activities through its risk management function.

Risk reports are produced and reviewed daily by management to mitigate market risk. These reports provide a summary of accounts not meeting minimum equity requirements, accounts which possess a concentration within a single security or series of securities, and accounts whose equity falls below the Company's minimum requirements given a valuation change in the respective member's investment portfolio.

**Note 4. Net Capital Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule (SEC 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. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash distributions 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 \$758,022 and \$100,000, respectively. The net capital rule may effectively restrict the payment of cash distributions to members.

**Note 5. Related Party Transactions**

As discussed in Note 1, the Company clears its trades through Pax, a related party. Clearing fees paid to Pax during the year amounted to \$244,182. For the year ended December 31, 2002, interest earned on credit balances and interest paid on debit balances amounted to \$12,593 and \$4,392 respectively. At December 31, 2002, the financial statements include a \$1,114,144 net receivable from Pax.

On December 31, 2002, the Company held a \$50,000 investment in Joint Back Office preferred stock of Pax.

SUMMER STREET SECURITIES, LLC

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
December 31, 2002

SCHEDULE I

Total members' capital	\$ 1,104,014
Deductions and/or charges:	
Nonallowable asset:	
Investment	<u>50,000</u>
Net capital before haircuts on proprietary positions	1,054,014
Haircuts:	
Options	<u>295,992</u>
<b>Net capital</b>	<b>758,022</b>
Net capital requirement	<u>100,000</u>
<b>Excess net capital</b>	<b><u>\$ 658,022</u></b>
Aggregate Indebtedness	
Accounts payable and accrued expenses	
<b>Total aggregate indebtedness</b>	<b><u>\$ 8,230</u></b>
Ratio of aggregate indebtedness to net capital	<u>0.01 to 1</u>

Statement pursuant to Paragraph (d) (4) of Rule 17a-5:

There are no material differences between the amounts presented in the computation of net capital set forth above and the amount reported in the Company's unaudited Part II-A FOCUS report as of December 31, 2002, dated January 24, 2003.

**SUMMER STREET SECURITIES, LLC**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3  
December 31, 2002**

**SCHEDULE II**

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None, the Company is exempt from rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(ii) thereof.

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS  
UNDER RULE 15c3-3  
December 31, 2002**

**SCHEDULE III**

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None, the Company is exempt from rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(ii) thereof.

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Members  
Summer Street Securities, LLC  
Chicago, Illinois

In planning and performing our audit of the financial statements and supplemental schedules of Summer Street Securities, LLC (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 Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of compliance with 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 are 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 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 assets, 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 members, management, the SEC, the Philadelphia Stock Exchange, 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.

*McGladrey & Pullen, LLP*

Chicago, Illinois  
February 11, 2003