

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

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

OMB APPROVAL
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Information Required of Brokers and Dealers under 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: J.M. Lummis Securities, Inc.

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

50 Locust Avenue

(No. and Street)

New Canaan

CT

06840

(City)

(State)

(Zip Code)

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

David Lummis

(203) 966-0005

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Kahan, Steiger & Company, P.C.

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

1100 Summer Street

Stamford

CT

06905

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

APR 28 2003

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*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.

Handwritten initials and date: 4-25-03

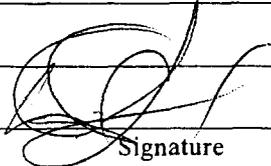
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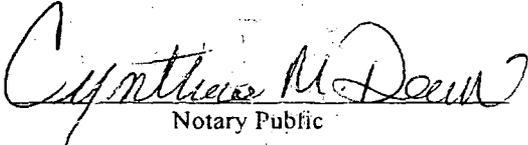
Handwritten date: ** APR 3/5/2003

OATH OR AFFIRMATION

I, DAVID LUMMIS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of J M Lummis SECURITIES, INC., as of DEC. 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:


Signature

PRESIDENT
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 Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' 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 15c3-3 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.

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

J.M. LUMMIS SECURITIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2002

**Kahan
Steiger & Company, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

To The Board of Directors and Stockholder of
J.M. Lummis Securities, Inc.
New Canaan, CT 06840

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial condition of J. M. Lummis Securities, Inc. as of December 31, 2002 and the related statements of income, changes in shareholder's 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 J.M. Lummis Securities, Inc. 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule # 1 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.

Kahan, Steiger + Company, P.C.
KAHAN, STEIGER & COMPANY, P.C.
Stamford, Connecticut

J.M. LUMMIS SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002

ASSETS

CURRENT ASSETS

| | |
|-----------------------------|-----------------------|
| Cash and Cash Equivalents | \$260,782 |
| Accounts Receivable | 213,654 |
| Prepaid Expenses | <u>1,970</u> |
| TOTAL CURRENT ASSETS | <u>476,406</u> |

FIXED ASSETS

| | |
|--------------------------|-----------------|
| Equipment | 3,810 |
| Accumulated Depreciation | <u>(3,152)</u> |
| | <u>658</u> |

TOTAL ASSETS

\$477,064

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES

| | |
|------------------|-----------------|
| Accounts Payable | <u>\$ 5,992</u> |
|------------------|-----------------|

SHAREHOLDER'S EQUITY

| | |
|--|-----------------------|
| Common Stock - Common Shares, No Par Value, Authorized 20,000 Shares, Issued and Outstanding 100 Shares | 20,000 |
| Additional Paid-In Capital | 189,620 |
| Retained Earnings | <u>261,452</u> |
| TOTAL SHAREHOLDER'S EQUITY | <u>471,072</u> |

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY

\$477,064

See Accompanying Notes

J.M. LUMMIS SECURITIES, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2002

| | |
|--------------------------------|-------------------|
| REVENUE | \$3,503,510 |
| OPERATING EXPENSES | <u>2,973,375</u> |
| NET INCOME BEFORE OTHER INCOME | 530,135 |
| OTHER INCOME | |
| Interest Income | <u>930</u> |
| NET INCOME | <u>\$ 531,065</u> |

See Accompanying Notes

J.M. LUMMIS SECURITIES, INC.
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002

| | <u>CAPITAL STOCK</u> | <u>PAID-IN CAPITAL</u> | <u>RETAINED EARNINGS</u> | <u>TOTAL SHARE- HOLDER'S EQUITY</u> |
|--|--------------------------|----------------------------|------------------------------|---|
| BALANCE - JANUARY 1, 2002 | \$20,000 | \$189,620 | \$ 217,460 | \$427,080 |
| Net Income | | | 531,065 | 531,065 |
| Shareholder Distribution | _____ | _____ | <u>(487,073)</u> | <u>(487,073)</u> |
| BALANCE - DECEMBER 31, 2002 | <u>\$20,000</u> | <u>\$189,620</u> | <u>\$261,452</u> | <u>\$471,072</u> |

See Accompanying Notes

J.M. LUMMIS SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|--------------------|
| Net Income | <u>\$ 531,065</u> |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | |
| Depreciation and Amortization | 439 |
| (Increase) In Accounts Receivable | (138,071) |
| Decrease in Prepaid Expense | 30 |
| Decrease In Prepaid Insurance | 1,065 |
| Increase In Accrued Liabilities | <u>2,542</u> |
| Total Adjustments | <u>(133,995)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>397,070</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|-----------------------|
| Decrease in Due to Parent | (47,205) |
| Shareholder Distribution | <u>(487,074)</u> |
| NET CASH USED BY FINANCING ACTIVITIES | <u>(534,279)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (137,209) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>397,991</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 260,782</u> |

J.M. LUMMIS SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note # 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

J.M. Lummis Securities, Inc., incorporated on June 19, 1997, is a broker dealer of corporate bonds and U.S. treasury and government agencies' securities.

Concentration of Credit Risk

The Company places its cash with high quality institutions. At times such investments may be in excess of the FDIC insurance limit. Management does not believe this credit risk is significant.

Federal and State Income Taxes

The Company's stockholders have elected under the Internal Revenue Code to be taxed as an S Corporation. In lieu of corporate income taxes, the stockholders are taxed on their proportionate share of the Company's net income. Accordingly, no provision or liability for income taxes has been made in the accompanying financial statements.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Depreciation

The Company's equipment is depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2002 was \$439.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

J.M. LUMMIS SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note # 2 – RELATED PARTY TRANSACTIONS

J.M. Lummis Securities, Inc. is a wholly owned subsidiary of J.M. Lummis and Company, Inc. The Company reimbursed J.M. Lummis and Company, Inc. for its share of operating expenses as follows:

| <u>Expense</u> | <u>Amount</u> |
|------------------|----------------|
| Rent | \$ 12,000 |
| Equipment Rental | 33,600 |
| Telephone | 24,000 |
| Insurance | 20,400 |
| Office | <u>18,000</u> |
| | <u>108,000</u> |

Note # 3 - LINE OF CREDIT

J. M. Lummis Securities, Inc. has an uncommitted, short-term, secured line of credit with Fiserv Securities, Inc. The line is used to support trades made through Fiserv Securities, Inc. clearing account. There was no outstanding balance on the line of credit at December 31, 2002.

Note # 4 - COMPREHENSIVE INCOME

The Company does not have any accumulated other comprehensive income items, and therefore, is not required to report comprehensive income.

**J.M. LUMMIS SECURITIES, INC.
COMPUTATION OF NET CAPITAL
DECEMBER 31, 2002**

| | |
|---|--------------------|
| NET WORTH | <u>\$471,072</u> |
| TOTAL AVAILABLE CAPITAL | 471,072 |
| NON-ALLOWABLE ASSETS | |
| Prepaid Expense | (1,970) |
| Equipment - Net | (658) |
| Cash - CRD | <u>(50)</u> |
| TENTATIVE NET CAPITAL | 468,394 |
| Haircuts on Allowable Assets | <u> -</u> |
| NET CAPITAL | <u>\$ 468,394</u> |
| RECONCILIATION OF NET CAPITAL | |
| Net Capital per Client Computation | \$303,110 |
| Adjustments per Audit | 166,493 |
| Unallowable Asset - Additonal Prepaid Expense | <u>(1,209)</u> |
| NET CAPITAL PER AUDIT | <u>\$468,394</u> |

SCHEDULE # 1
See Accountants' Report