



03015942

30
4/4/03
VF
4-3-03
UNITED STATES
AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	September 30, 1998
Estimated average burden hours per response...	12.00

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

SEC FILE NUMBER
8-65301

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 03/27/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Worthington Securities, LLC

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

2001 Bryan St., Suite 3140

(No. and Street)

Dallas Texas 75201
(City) (State) (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*

Cheshier & Fuller, L.L.P.

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

14175 Proton Rd. Dallas TX 75244
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

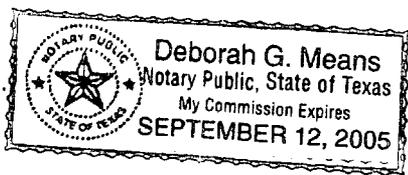
FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

PROCESSED
APR 10 2003
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).

OATH OR AFFIRMATION

I, Marlin Brown, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Worthington 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, except as follows:



[Signature]
Signature
CFO
Title

[Signature]
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 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).

WORTHINGTON SECURITIES, LLC

REPORT PURSUANT TO RULE 17a-5(d)

TEN MONTHS ENDED
DECEMBER 31, 2002

WORTHINGTON SECURITIES, LLC

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL CONDITION	2
STATEMENT OF INCOME	3
STATEMENT OF CHANGES IN MEMBER'S EQUITY	4
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 9
SUPPORTING SCHEDULES	
Schedule I: Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	11 - 12
Schedule II: Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	13
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5	15 - 16



Cheshier & Fuller, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SEC PRACTICE SECTION OF AICPA
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS
CPAMERICA INTERNATIONAL
AN AFFILIATE OF HORWATH INTERNATIONAL

14175 PROTON ROAD
DALLAS, TEXAS 75244-3692
PHONE: 972-387-4300
800-834-8586
FAX: 972-960-2810
WWW.CHESHER-FULLER.COM

INDEPENDENT AUDITOR'S REPORT

To the Managers and Members
Worthington Securities, LLC

We have audited the accompanying statement of financial condition of Worthington Securities, LLC as of December 31, 2002 and the related statements of income, changes in member's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the ten months 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 U. S. generally accepted auditing standards. 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 Worthington Securities, LLC as of December 31, 2002, and the results of its operations and its cash flows for the ten months then ended in conformity with U. S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 6 to the financial statements, the Company has incurred substantial recurring losses and ceased operations in January 2003, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the 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 of the Securities and Exchange Commission. 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.


CHESHER & FULLER, L.L.P.

Dallas, Texas
March 6, 2003

WORTHINGTON SECURITIES, LLC
Statement of Financial Condition
December 31, 2002

ASSETS

Cash	\$ 42,839
Receivable from broker-dealers and clearing organizations	252,047
Furniture and equipment, at cost, net of accumulated depreciation of \$15,777	80,231
Other assets	<u>21,089</u>
	<u>\$ 396,206</u>

LIABILITIES AND MEMBER'S EQUITY

Liabilities:	
Accounts payable and accrued expenses	\$ <u>33,348</u>
	<u>33,348</u>
Member's equity:	
Total member's equity	<u>362,858</u>
	<u>\$ 396,206</u>

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

WORTHINGTON SECURITIES, LLC
Statement of Income
For the Ten Months Ended December 31, 2002

Revenues:

Gains (losses) on Firm securities trading accounts	\$ 302,702
Interest income	<u>1,131</u>
	<u>303,833</u>

Expenses:

Compensation and benefits	125,065
Floor brokerage, exchange and clearance fees	164,835
Communications	79,625
Regulatory fees and expenses	29,625
Occupancy and equipment costs	47,625
Other expenses	<u>84,201</u>
	<u>530,976</u>

Loss before income taxes	(227,143)
Provision for income taxes	<u>-0-</u>
Net loss	<u>\$ (227,143)</u>

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

WORTHINGTON SECURITIES, LLC
Statement of Changes in Member's Equity
For the Ten Months Ended December 31, 2002

	<u>Total</u>
Balances at March 27, 2002	\$ -0-
Member's contributions	590,001
Net loss	<u>(227,143)</u>
Balances at December 31, 2002	<u>\$ 362,858</u>

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

WORTHINGTON SECURITIES, LLC
Statement of Changes in Liabilities Subordinated
to Claims of General Creditors
For the Ten Months Ended December 31, 2002

Balance at March 27, 2002	\$ -0-
Increases	-0-
Decreases	<u>-0-</u>
Balance at December 31, 2002	<u>\$ -0-</u>

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

WORTHINGTON SECURITIES, LLC
Statement of Cash Flows
For the Ten Months Ended December 31, 2002

Cash flows from operating activities:	
Net loss	\$ (227,143)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation	15,777
Change in assets and liabilities:	
Increase in receivable from broker-dealers and clearing organizations	(252,047)
Increase in other assets	(21,089)
Increase in accounts payable and accrued expenses	<u>33,348</u>
Net cash provided (used) by operating activities	<u>(451,154)</u>
Cash flows from investing activities:	
Purchase of furniture and equipment	<u>(96,008)</u>
Net cash provided (used) by investing activities	<u>(96,008)</u>
Cash flows from financing activities:	
Contributions of capital	<u>590,001</u>
Net cash provided (used) by financing activities	<u>590,001</u>
Net increase in cash	42,839
Cash at beginning of period	<u>-0-</u>
Cash at end of period	<u>\$ 42,839</u>
Supplemental Disclosures	
Cash paid for:	
Income taxes	<u>\$ -0-</u>
Interest	<u>\$ -0-</u>

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

WORTHINGTON SECURITIES, LLC
Notes to Financial Statements
December 31, 2002

Note 1 - Summary of Significant Accounting Policies

Worthington Securities, LLC (the "Company"), was formed March 27, 2003 and became effective as a broker-dealer registered with the National Association of Securities Dealers (NASD) in July, 2002 and is a broker-dealer in securities registered with the Securities and Exchange Commission (SEC). The Company operates under SEC Rule 15c3-3(k)(2)(ii), which provides that all funds and securities belonging to the Company's customers would be handled by a clearing broker-dealer. Substantially all of the Company's revenues are derived from the trading of securities for its own account.

The Company operates as a Texas Limited Liability Company (L.L.C.) and has a sole member, Worthsec Holding, LLC. Worthsec Holding, LLC has limited personal liability for the obligations or debts of the entity.

Purchases and sales of securities are recorded on a trade date basis. Commission revenue and expense are recorded on a trade date basis.

Depreciation is computed using both straight-line and accelerated methods over the estimated useful lives of the assets.

The preparation of financial statements in conformity with U. S. 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.

The Company's net income will be taxed at the member level rather than at the corporate level for federal income tax purposes.

Note 2 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2002, the Company had net capital of approximately \$261,538 and net capital requirements of \$100,000. The Company's ratio of aggregate indebtedness to net capital was .13 to 1. The Securities and Exchange Commission permits a ratio of no greater than 8 to 1 in the first year of operations.

WORTHINGTON SECURITIES, LLC

Notes to Financial Statements

December 31, 2002

Note 2 - Net Capital Requirements, continued

Capital distributions to its member can be made under a capital distribution policy approved by the Company's managers. Periodic distributions approved by the managers are made to enable the member to pay federal income taxes on company profits, among other purposes.

Note 3 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (S.E.C.) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

Note 4 - Lease Commitments

The Company has entered into a long-term lease commitment for office space and equipment rental. Total rental expense was \$58,309 for the ten months ended December 31, 2002 and is reflected in occupancy and equipment costs.

<u>Year Ending December 31,</u>	<u>Office Space</u>	<u>Equipment Rental</u>	<u>Total</u>
2003	\$ 27,291	\$ 98,460	\$125,751
2004	<u>10,234</u>	<u>49,230</u>	<u>59,464</u>
	<u>\$ 37,525</u>	<u>\$147,690</u>	<u>\$185,215</u>

Note 5 - Furniture and Equipment

The classes of furniture and equipment are as follows:

Furniture and equipment	\$ 96,008
Less: accumulated depreciation	<u>(15,777)</u>
	<u>\$ 80,231</u>

WORTHINGTON SECURITIES, LLC
Notes to Financial Statements
December 31, 2002

Note 5 - Furniture and Equipment, continued

Depreciation expense for the ten months ended December 31, 2002 was \$15,777 and is reflected in occupancy and equipment costs.

Note 6 - Commitment and Contingencies

Included in the Company's clearing agreement with its clearing broker-dealer, is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on the unsettled trade. At December 31, 2002, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

These financial statements are presented on the basis that the Company is a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable period of time. Continued operating losses could directly impact the Company's regulatory capital. It is management's intention to sell assets, control costs and seek a purchaser.

Supplemental Information
Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934
as of
December 31, 2002

Schedule I

WORTHINGTON SECURITIES, LLC
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
As of December 31, 2002

COMPUTATION OF NET CAPITAL

Total member's equity qualified for net capital		\$ 362,858
Add:		
Other deductions or allowable credits		<u>-0-</u>
Total capital and allowable subordinated liabilities		<u>362,858</u>
Deductions and/or charges		
Non-allowable assets:		
Furniture and equipment	\$ 80,231	
Other assets	<u>21,089</u>	<u>(101,320)</u>
Net capital before haircuts on securities positions		<u>261,538</u>
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f))		<u>-0-</u>
Net capital		<u>\$ 261,538</u>

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition		
Accounts payable and accrued expenses		<u>\$ 33,348</u>
Total aggregate indebtedness		<u>\$ 33,348</u>

Schedule I (continued)

WORTHINGTON SECURITIES, LLC
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
As of December 31, 2002

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (12 1/2% of total aggregate indebtedness)	<u>\$ 4,169</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 100,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 100,000</u>
Net capital in excess of required minimum	<u>\$ 161,538</u>
Excess net capital at 1000%	<u>\$ 258,203</u>
Ratio: Aggregate indebtedness to net capital	<u>.13 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

The following serves to reconcile the differences in the computation of net capital under Rule 15c3-1 from the Company's computation:

Net capital per Company's (unaudited) Focus II	\$ 248,679
Increase due to increase in allowable receivable from brokers/dealers	<u>12,859</u>
Net capital per audited report	<u>\$ 261,538</u>

Schedule II

WORTHINGTON SECURITIES, LLC
Computation for Determination of Reserve Requirements Under
Rule 15c3-3 of the Securities and Exchange Commission
As of December 31, 2002

EXEMPTIVE PROVISIONS

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Webush Morgan Securities, Inc.

Independent Auditor's Report

On Internal Control

Required By SEC Rule 17a-5

Ten Months Ended December 31, 2002



Cheshier & Fuller, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SEC PRACTICE SECTION OF AICPA
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS
CPAMERICA INTERNATIONAL
AN AFFILIATE OF HORWATH INTERNATIONAL

14175 PROTON ROAD
DALLAS, TEXAS 75244-3692
PHONE: 972-387-4300
800-834-8586
FAX: 972-960-2810
WWW.CHESHIER-FULLER.COM

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL REQUIRED BY SEC RULE 17a-5

The Managers and Members
Worthington Securities, LLC

In planning and performing our audit of the financial statements and supplemental schedules of Worthington Securities, LLC (the "Company"), for the ten months 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 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 the preparation of financial statements in accordance with U. S. 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, errors 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 the information and use of the management and members, 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.


CHESHIER & FULLER, L.L.P.

Dallas, Texas
March 6, 2003