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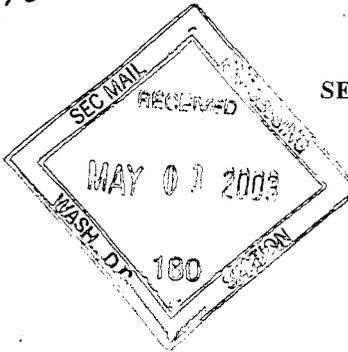


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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

** APR 5/2/2003

OMB APPROVAL
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**ANNUAL AUDITED REPORT
FORM X-17A-5 (A)
PART III**

SEC FILE NUMBER
8-49215

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: Thornes and Associates, Inc. Investment Securities
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

317 West State Street, Suite B

(No. and Street)

Redlands,

California

92373

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
John T. Thornes 909 335-7440

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Goddard Accountancy Corporation
Certified Public Accountants

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

685 Carnegie Drive, Suite 100
San Bernardino, CA 92408-3581

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
MAY 09 2003

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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)

df 5-8

Thornes and Associates, Inc.
RECONCILIATION OF NET CAPITAL PER DECEMBER 31, 2002
FOCUS REPORT TO NET CAPITAL PER SCHEDULE ONE
DECEMBER 31, 2002

SCHEDULE TWO

| | |
|--|---------------------|
| Net capital per schedule one | \$ 121,867.00 |
| Net capital per member focus report | <u>90,569.00</u> |
| Increase in net capital | <u>\$ 31,298.00</u> |
| Reconciliation of Difference | |
| Increase in net capital for the year ended December 31, 2002 resulting from audit adjustments | <u>\$ 31,298.00</u> |
| Increase in net capital | <u>\$ 31,298.00</u> |



April 21, 2003

John Thornes
Thornes & Associates, Inc.
317 W. State St. Suite B
Redlands, CA 92373

Re: 2002 Annual Audit

Dear Mr. Thornes:

This acknowledges receipt of your December 31, 2002 annual filing of audited financial statements made pursuant to Securities and Exchange Commission (SEC) Rule 17a-5(d) (the Rule). The report as submitted appears deficient in that it contained the following incorrect items:

- A. Computation of Net Capital (the computation incorrectly treated the \$15,049.68 note receivable as an allowable asset – it should be treated as non-allowable)
- B. A Reconciliation, including appropriate explanation, of the computation of Net Capital under SEC Rule 15c3-1, or if no material differences exist a statement to that effect

Therefore, your submission cannot be considered to comply with the requirements of the Rule. The text of the Rule is reproduced in the NASD Manual under the section titled SEC Rules & Regulation T, and we suggest that you review it with your independent accountant.

Pursuant to the provisions of NASD Rule 8210, we request that you immediately send one revised copy of the items listed above to this office and the SEC regional or district office, and two copies to the SEC Washington, D.C. office. Your submissions must include a new completed Part III Facing Page, a copy of which is enclosed for your convenience.

Please attend to this matter promptly. If you have any questions, please contact Carol Weiss, Senior Compliance Examiner, at (213) 613-2635.

Sincerely,

A handwritten signature in black ink, appearing to read "Allissa Johnson".

Allissa Johnson
Supervisor

Enclosure

Los Angeles District Office
300 South Grand Avenue
Suite 1600
Los Angeles, CA
90071-3126

tel 213 627 2122
fax 213 617 3299
www.nasd.com