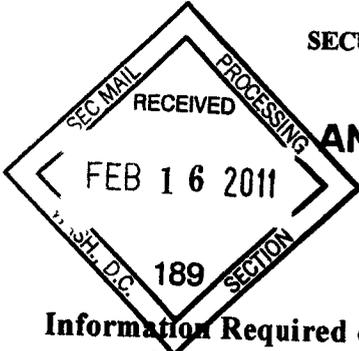


AB
2/24

KH 2/17



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

OMB APPROVAL
OMB Number: 3235-0123
Expires: April 30, 2013
Estimated average burden
hours per response..... 12.00

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

SEC FILE NUMBER
8-42456

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 1/1/10 AND ENDING 12/31/10
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: LAUREN + MERLIN INC
DBA L+M FINANCIAL SERVICES
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
5510 PEARL RD STE 98
(No. and Street)
PARMA OH 44129
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
SKODA MINOTTI
(Name - if individual, state last, first, middle name)
16685 BETA DR MAYFIELD VILLAGE OH 44143
(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

*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)

KH
2/28

OATH OR AFFIRMATION

I, LAUREN A. FERRANTE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of LAUREN & MERLIN INC. DBA L+M FINANCIAL SERVICES as of DECEMBER 31, 2010, 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:

Edward A. Krause, Attorney
Notary Public, State of Ohio
Commission does not expire.
Section 147.03 O.R.C.

Lauren A. Ferrante
Signature

CFO
Title

Edward A. Krause
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 15c3-1 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.

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

L & M FINANCIAL SERVICES

**FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION**

YEAR ENDED DECEMBER 31, 2010

L & M FINANCIAL SERVICES
YEAR ENDED DECEMBER 31, 2010

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SKODA MINOTTI

CPAs, BUSINESS & FINANCIAL ADVISORS

Delivering on the Promise.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**TO THE BOARD OF DIRECTORS
L & M FINANCIAL SERVICES**

We have audited the accompanying statement of financial condition of L & M Financial Services (the Company) as of December 31, 2010, 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 the standards of the Public Company Accounting Oversight Board (United States). 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 L & M Financial Services as of December 31, 2010, 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 accompanying supplementary financial information is presented for the purpose 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.

SKODA MINOTTI

Mayfield Village, Ohio
February 11, 2011

L & M FINANCIAL SERVICES
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2010

ASSETS

Cash and cash equivalents	\$ 1,787
Accounts receivable	31,763
Deposits	25,675
	59,225
Furniture, fixtures and computer equipment	25,573
Less: Accumulated depreciation	(24,054)
	1,519
Marketable securities, at fair value	107,636
Total assets	\$ 168,380

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES	
Accounts payable	\$ 51,060
Accrued commissions	12,374
Accrued payroll taxes and other expenses	1,759
	65,193
STOCKHOLDERS' EQUITY	
Common stock - no par value	
Authorized - 781 shares	
Issued and outstanding - 773 shares	141,000
Treasury stock, at cost - 8 shares	(200)
Accumulated deficit	(37,613)
	103,187
Total liabilities and stockholders' equity	\$ 168,380

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

L & M FINANCIAL SERVICES
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2010

REVENUE	
Sales commissions	\$ 355,050
Realized gain on investments	12,294
Unrealized gain on securities	41,313
Interest and dividend income	1,618
Other	1,278
	<u>411,553</u>
 OPERATING EXPENSES	
Bank service charges	43
Commissions	124,659
Depreciation	80
Dues and subscriptions	5,205
Health insurance	7,341
Insurance	2,652
Margin interest expense	3,427
Office expenses	28,393
Operating expenses	16,087
Professional fees	5,080
Rent	18,451
Salaries and wages	149,600
Storage expense	2,900
Taxes on payroll	12,126
Telephone	6,089
	<u>382,133</u>
 NET INCOME	 <u><u>\$ 29,420</u></u>

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

L & M FINANCIAL SERVICES
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
 YEAR ENDED DECEMBER 31, 2010

	Common Stock	Treasury Stock	Accumulated Deficit	Total
Balance at December 31, 2009	\$ 141,000	\$ (200)	\$ (67,033)	\$ 73,767
Net income	-	-	29,420	29,420
Balance at December 31, 2010	<u>\$ 141,000</u>	<u>\$ (200)</u>	<u>\$ (37,613)</u>	<u>\$ 103,187</u>

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

L & M FINANCIAL SERVICES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 29,420
Adjustments to reconcile net income to net cash used in operating activities:	
Add back (deduct): Items not affecting cash	
Depreciation	80
Unrealized gain on securities	(41,313)
Cash provided by (used in) changes in the following items:	
Increase in accounts receivable	(6,466)
Decrease in marketable securities	4,463
Increase in accounts payable	6,983
Increase in accrued commissions	4,203
Decrease in accrued payroll taxes and other expenses	(178)
Net cash used in operating activities	<u>(2,808)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisitions of furniture, fixtures and computer equipment	<u>(1,599)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,407)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,194</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,787</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
CASH PAID DURING THE YEAR FOR:	
INTEREST	\$ 3,427

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

L & M FINANCIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Lauren & Merlin Inc, dba L & M Financial Services (the Company) was incorporated in 1986 in the state of Ohio and is a broker-dealer registered with the Securities and Exchange Commission (SEC), a member of the Financial Industry Regulatory Authority (FINRA) and is engaged in managed accounts with a concentration in Northeast Ohio. All trades are cleared and settled through RBC Correspondent Services, a Division of RBC Capital Markets, which is a member of the New York Stock Exchange and the Securities Investor Protection Corporation.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments, such as money market deposits, to be cash equivalents.

Accounts Receivable

Accounts receivable represent commissions due from clearing brokers and agents at the end of the month. These amounts are generally paid by the fifth business day of the following month.

Deposits

The Company maintains a \$25,000 security deposit at RBC Correspondent Services and a \$675 security deposit for its rented office space.

Furniture, Fixtures and Computer Equipment

Furniture, fixtures and computer equipment are stated at cost. Depreciation is computed under the straight-line method over the estimated useful lives of the assets, which is five years.

Marketable Securities

Marketable securities consist of listed securities that are considered to be available-for-sale and are reported at fair value. In accordance with industry accounting practices, any unrealized gain or loss on marketable equity securities is recognized currently in earnings. The cost of the investments is approximately \$92,000.

L & M FINANCIAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Payable

Accounts payable represents the amount of margin balance (at 7.25% at December 31, 2010) due to RBC Correspondent Services.

Accrued Commissions

Commissions represent amounts due to the Company's registered representatives at the end of the month. These amounts are generally paid by the seventh business day of the following month.

Accrued Payroll Taxes and Other Expenses

Accrued payroll taxes and other expenses represent mostly city and state income taxes withheld from employees' pay at the end of the month. These amounts are paid to the tax authorities by the applicable due date.

Revenue Recognition

Commissions are recognized as income when earned, rather than when received.

Income Taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. In lieu of corporation Federal income and state taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for Federal or state taxes has been included in these financial statements.

Subsequent Events

The Company evaluated subsequent events through February 11, 2011, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital equivalent to the greater of \$5,000 or 1/15th of aggregate indebtedness. At December 31, 2010, the Company exceeded all net capital requirements.

L & M FINANCIAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS

3. FAIR VALUE OF INVESTMENTS

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories:

- Level 1 – Quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurement.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists, or in instances where prices vary substantially over time or among brokered market makers.
- Level 3 – Model derived valuations in which one or more significant inputs of significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company's own assumptions that market participants would use to price the assets or liabilities based on the best available information.

All of the Company's investments are Level 1.

L & M FINANCIAL SERVICES
 COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1
 DECEMBER 31, 2010

FORM
 X-17A-5
LINE

COMPUTATION OF NET CAPITAL:

1	Total stockholders' equity from statement of financial condition	\$ 103,187
2	Less: Stockholders' equity not allowable for net capital	<u>-</u>
3	Total stockholders' equity qualified for net capital	103,187
6D	Total other deductions	<u>(2,194)</u>
8	Net capital before haircuts on security positions	100,993
9	Haircuts on securities pursuant to 15c3-1	<u>(16,146)</u>
10	Net capital	<u><u>\$ 84,847</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:

11	Minimum net capital required	<u>\$ 942</u>
12	Minimum dollar requirement	<u>\$ 5,000</u>
13	Net capital requirement	<u>\$ 5,000</u>
14	Excess net capital	
	Net capital	\$ 84,847
	Less: Net capital requirement	<u>(5,000)</u>
	Total	<u>\$ 79,847</u>
15	Excess net capital at 1000 percent	<u>\$ 78,847</u>

AGGREGATE INDEBTEDNESS:

16 and 19	Aggregate indebtedness liabilities	<u>\$ 14,133</u>
20	Percent of aggregate indebtedness to net capital	<u>16.66%</u>
21	Percent of debt to debt-equity computed in accordance with Rule 15c3-1	<u>0%</u>

See the Independent Auditors' Report.

L & M FINANCIAL SERVICES

RECONCILIATION PURSUANT TO RULE 17a-5(d)(4)

DECEMBER 31, 2010

	<u>Audited</u>	<u>Unaudited</u>	<u>Increase (Decrease)</u>
COMPUTATION OF NET CAPITAL:			
Total stockholders' equity from statement of financial condition	\$ 103,187	\$ 103,187	\$ -
Less: Stockholders' equity not allowable for net capital	-	-	-
Total stockholders' equity qualified for net capital	103,187	103,187	-
Total other deductions	<u>(2,194)</u>	<u>(2,194)</u>	-
Net capital before haircuts on security positions	100,993	100,993	-
Haircuts on securities pursuant to 15c3-1	<u>(16,146)</u>	<u>(16,146)</u>	-
Net capital	<u>\$ 84,847</u>	<u>\$ 84,847</u>	<u>\$ -</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:			
Minimum net capital required	<u>\$ 942</u>	<u>\$ 942</u>	<u>\$ -</u>
Minimum dollar requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Excess net capital			
Net capital	\$ 84,847	\$ 84,847	\$ -
Less: Net capital requirement	<u>(5,000)</u>	<u>(5,000)</u>	-
Total	<u>\$ 79,847</u>	<u>\$ 79,847</u>	<u>\$ -</u>
Excess net capital at 1000 percent	<u>\$ 78,847</u>	<u>\$ 78,847</u>	<u>\$ -</u>
AGGREGATE INDEBTEDNESS:			
Aggregate indebtedness liabilities	<u>\$ 14,133</u>	<u>\$ 14,133</u>	<u>\$ -</u>
Percent of aggregate indebtedness to net capital	<u>16.66%</u>	<u>16.66%</u>	<u>0.00%</u>
Percent of debt to debt-equity computed in accordance with Rule 15c3-1	<u>0%</u>	<u>0%</u>	<u>0%</u>

See the Independent Auditors' Report.

L & M FINANCIAL SERVICES

**INFORMATION RELATING TO THE POSSESSION AND CONTROL
REQUIREMENTS PURSUANT TO RULE 15c3-3**

YEAR ENDED DECEMBER 31, 2010

L & M Financial Services conforms to the exemption provision under Rule 15c3-3 by not collecting or holding funds or securities for, nor owing money or securities, to customers.

See the Independent Auditors' Report.



SKODA MINOTTI

CPAs, BUSINESS & FINANCIAL ADVISORS

Delivering on the Promise.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

TO THE BOARD OF DIRECTORS
L & M FINANCIAL SERVICES

In planning and performing our audit of the financial statements and supplementary financial information of L & M Financial Services (the Company), as of and for the year ended December 31, 2010, in accordance with the standards of the Public Company Accounting Oversight Board (United States), we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making periodic computations of aggregate indebtedness (or aggregate debits) 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, comparisons and recordation of differences required by rule 17a-13.
2. 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 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 and 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, 2010 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.

SKODA MINOTTI



Mayfield Village, Ohio
February 11, 2011

General Assessment Reconciliation

For the fiscal year ended Dec 31, 2010
(Read carefully the instructions in your Working Copy before completing this Form)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

042456 FINRA DEC
LAUREN & MERLIN INC 17*17
D/B/A L & M FINANCIAL SERVICES
5510 PEARL RD STE 98 LOWR LEVEL
PARMA OH 44129-2550

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

- 2. A. General Assessment (item 2e from page 2) \$ 869.79
B. Less payment made with SIPC-6 filed (exclude interest) (354.81)
C. Less prior overpayment applied (73.65)
D. Assessment balance due or (overpayment)
E. Interest computed on late payment (see instruction E) for ___ days at 20% per annum
F. Total assessment balance and interest due (or overpayment carried forward) \$ 441.33
G. PAID WITH THIS FORM:
Check enclosed, payable to SIPC
Total (must be same as F above) \$ 441.33
H. Overpayment carried forward \$()

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

LAUREN & MERLIN INC
DBA LTM Financial Services
(Name of Corporation, Partnership or other organization)
Lauren A. Turante
(Authorized Signature)
CEO
(Title)

Dated the 20 day of JAN, 20 11.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER
Dates: Postmarked Received Reviewed
Calculations Documentation Forward Copy
Exceptions:
Disposition of exceptions:

DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period
beginning Jan 1, 2010
and ending Dec 31, 2010
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 5 01681

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

0

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.
(See Instruction C):

90414

63348

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ _____

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ _____

Enter the greater of line (i) or (ii)

Total deductions

153762

2d. SIPC Net Operating Revenues

\$ 347919

2e. General Assessment @ .0025

\$ 869.79

(to page 1, line 2.A.)

FORM X-17A-5

UNITED STATES SECURITIES AND EXCHANGE COMMISSION FOCUS REPORT (FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT) PART IIA 12

(Please read instructions before preparing Form)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) 16 2) Rule 17a-5(b) 17 3) Rule 17a-11 18 4) Special request by designated examining authority 19 5) Other 28

NAME OF BROKER-DEALER

L&M FINANCIAL SERVICES 13

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

5510 PEARL RD, LOWER LEVEL #98 20

(No. and Street)

PARMA 21 OH 22 44129 23

(City)

(State)

(Zip Code)

SEC. FILE NO.

8-42456 14

FIRM ID NO.

26247 15

FOR PERIOD BEGINNING (MM/DD/YY)

10/01/10 24

AND ENDING (MM/DD/YY)

12/31/10 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT (Area code) - Telephone No.

Lauren A Ferrante 30

(440) 884-4495 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT

OFFICIAL USE

32

33

34

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39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS ?

YES 40 NO X 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT

42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the _____ day of _____ 20 _____

Manual Signatures of:

1) _____ Principal Executive Officer or Managing Partner

2) _____ Principal Financial Officer or Partner

3) _____ Principal Operations Officer or Partner

ATTENTION - Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f (a))

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA

BROKER OR DEALER L&M FINANCIAL SERVICES	N	3					
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**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) 12/31/10 99

SEC FILE NO. 8-42456 98

Consolidated 198

Unconsolidated 199

ASSETS

Allowable

Non-Allowable

Total

1. Cash	\$ 1,787	200		\$ 1,787	750
2. Receivables from brokers or dealers:					
A. Clearance account	56,763	295			
B. Other		300	\$ 550	56,763	810
3. Receivables from non-customers		355	600		830
4. Securities and spot commodities owned, at market value:					
A. Exempted securities		418			
B. Debt securities		419			
C. Options		420			
D. Other securities	107,636	424			
E. Spot commodities		430		107,636	850
5. Securities and/or other investments not readily marketable:					
A. At cost \$		130			
B. At estimated fair value		440	610		860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities \$		150			
B. Other securities \$		160			
7. Secured demand notes:		470	640		890
Market value of collateral:					
A. Exempted securities \$		170			
B. Other securities \$		180			
8. Memberships in exchanges:					
A. Owned, at market \$		190			
B. Owned, at cost			650		
C. Contributed for use of the company, at market value			660		900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	670		910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization.		490	1,519	1,519	920
11. Other assets		535	675	675	930
12. Total Assets	\$ 166,186	540	\$ 2,194	740	\$ 168,380
				940	

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER L&M FINANCIAL SERVICES	as of <u>12/31/10</u>
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**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING,
NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS
LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable	\$ <u>1045</u>	\$ <u>1255</u>	\$ <u>1470</u>
14. Payable to brokers or dealers:			
A. Clearance account	<u>1114</u>	51,060 <u>1315</u>	51,060 <u>1560</u>
B. Other	<u>1115</u>	<u>1305</u>	<u>1540</u>
15. Payable to non-customers	<u>1155</u>	<u>1355</u>	<u>1610</u>
16. Securities sold not yet purchased, at market value		<u>1360</u>	<u>1620</u>
17. Accounts payable, accrued liabilities, expenses and other	14,133 <u>1205</u>	<u>1385</u>	14,133 <u>1685</u>
18. Notes and mortgages payable:			
A. Unsecured	<u>1210</u>		<u>1690</u>
B. Secured	<u>1211</u>	<u>1390</u>	<u>1700</u>
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$ <u>970</u>		<u>1400</u>	<u>1710</u>
2. Includes equity subordination (15c3-1(d)) of \$ <u>980</u>			
B. Securities borrowings, at market value from outsiders \$ <u>990</u>		<u>1410</u>	<u>1720</u>
C. Pursuant to secured demand note collateral agreements			
1. from outsiders \$ <u>1000</u>		<u>1420</u>	<u>1730</u>
2. includes equity subordination (15c3-1(d)) of \$ <u>1010</u>			
D. Exchange memberships contributed for use of company, at market value		<u>1430</u>	<u>1740</u>
E. Accounts and other borrowings not qualified for net capital purposes	<u>1220</u>	<u>1440</u>	<u>1750</u>
20. TOTAL LIABILITIES	\$ 14,133 <u>1230</u>	\$ 51,060 <u>1450</u>	\$ 65,193 <u>1760</u>
 <u>Ownership Equity</u>			
21. Sole proprietorship			<u>1770</u>
22. Partnership (limited partners)	\$ <u>1020</u>		<u>1780</u>
23. Corporation:			
A. Preferred stock			<u>1791</u>
B. Common stock			141,000 <u>1792</u>
C. Additional paid-in capital			<u>1793</u>
D. Retained earnings			(37,813) <u>1794</u>
E. Total			103,387 <u>1795</u>
F. Less capital stock in treasury			(200) <u>1796</u>
24. TOTAL OWNERSHIP EQUITY			\$ 103,187 <u>1800</u>
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 168,380 <u>1810</u>

OMIT PENNIES

**FINANCIAL AND OPERATIONAL, COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER L&M FINANCIAL SERVICES	as of	12/31/10
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COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$		103,187	<u>3480</u>
2. Deduct ownership equity not allowable for Net Capital				<u>3490</u>
3. Total ownership equity qualified for Net Capital			103,187	<u>3500</u>
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital				<u>3520</u>
B. Other (deductions) or allowable credits (List)				<u>3525</u>
5. Total capital and allowable subordinated liabilities	\$		103,187	<u>3530</u>
6. Deductions and/or charges:				
A. Total non-allowable assets from				
Statement of Financial Condition (Notes B and C)	\$	2,194		<u>3540</u>
B. Secured demand note deficiency				<u>3590</u>
C. Commodity futures contracts and spot commodities- proprietary capital charges				<u>3600</u>
D. Other deductions and/or charges				<u>3610</u>
7. Other additions and/or allowable credits (List)			2,194	<u>3620</u>
8. Net Capital before haircuts on securities positions	\$		100,993	<u>3630</u>
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):				
A. Contractual securities commitments	\$			<u>3660</u>
B. Subordinated securities borrowings				<u>3670</u>
C. Trading and investment securities:				
1. Exempted securities				<u>3735</u>
2. Debt securities				<u>3733</u>
3. Options				<u>3730</u>
4. Other securities		16,146		<u>3734</u>
D. Undue concentration				<u>3650</u>
E. Other (List)				<u>3736</u>
10. Net Capital	\$		84,847	<u>3750</u>

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED, UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER L&M FINANCIAL SERVICES	as of	12/31/10
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Part A COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

11. Minimum net capital required (6-2/3% of line 19)	\$	942	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3780
14. Excess net capital (line 10 less 13)	\$	79,847	3770
15. Net capital less greater of 10% of line 19 or 120% of line 12	\$	78,847	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	14,133	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	
19. Total aggregate indebtedness	\$	14,133	3840
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	%	16.66	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c-3-1(d)	%	0.00	3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	3870	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	3880	3880
24. Net capital requirement (greater of line 22 or 23)	\$	3760	3910
25. Excess net capital (line 10 less 24)	\$	3910	3910
26. Net capital in excess of the greater of: 5% of combined aggregate debit items or 120% of minimum net capital requirement	\$	3920	3920

NOTES:

(A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:

1. Minimum dollar net capital requirement, or
2. 6-2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.

(B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of the memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.

(C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER
L&M FINANCIAL SERVICES

For the period (MMDDYY) from 10/01/10 3932 to 12/31/10 3933
 Number of months included in this statement 3 3931

REVENUE

STATEMENT OF INCOME (LOSS)

1. Commissions:	
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$ 39,248 3935
b. Commissions on listed option transactions	28,812 3938
c. All other securities commissions	48,283 3939
d. Total securities commissions	116,343 3940
2. Gains or losses on firm securities trading accounts	
a. From market making in options on a national securities exchange	3945
b. From all other trading	3949
c. Total gain (loss)	3950
3. Gains or losses on firm securities investment accounts	
4. Profits (losses) from underwriting and selling groups	
5. Revenue from sale of investment company shares	
6. Commodities revenue	
7. Fees for account supervision, investment advisory and administrative services	
8. Other revenue	
9. Total revenue	
	\$ 151,491 4030

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	
11. Other employee compensation and benefits	
12. Commissions paid to other brokers-dealers	
13. Interest expense	
a. Includes interest on accounts subject to subordination agreements	4070
14. Regulatory fees and expenses	
15. Other expenses	
16. Total expenses	
	\$ 126,895 4200

NET INCOME

17. Net Income (loss) before Federal income taxes and items below (Item 9 less Item 16)	
18. Provision for Federal income taxes (for parent only)	
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above	
a. After Federal income taxes of	4238
20. Extraordinary gains (losses)	
a. After Federal income taxes of	4239
21. Cumulative effect of changes in accounting principles	
22. Net income (loss) after Federal income taxes and extraordinary items	
	\$ 24,596 4210

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	4211
	\$ 31,607 4211

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER L&M FINANCIAL SERVICES
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For the period (MMDDYY) from 10/01/10 to 12/31/10

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period	.....	\$	78,591	<u>4240</u>
A. Net income (loss)	.....		24,598	<u>4250</u>
B. Additions (includes non-conforming capital of	.....	\$	<u>4262</u>	) <u>4260</u>
C. Deductions (includes non-conforming capital of	.....	\$	<u>4272</u>	) <u>4270</u>
2. Balance, end of period (from item 1800)	.....	\$	103,187	<u>4290</u>

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period	.....	\$		<u>4300</u>
A. Increases	.....			<u>4310</u>
B. Decreases	.....			<u>4320</u>
4. Balance, end of period (from item 3520)	.....	\$		<u>4330</u>

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER L&M FINANCIAL SERVICES	as of <u>12/31/10</u>
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Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based :

- A. (k) (1) - Limited business (mutual funds and/or variable annuities only) \$ 4550
- B. (k) (2) (i) - "Special Account for the Exclusive Benefit of customers" maintained 4560
- C. (k) (2) (ii) - All customer transactions cleared through another broker-dealer on a fully disclosed basis.
Name(s) of Clearing Firm(s) - Please separate multiple names with a semi-colon
RBC Capital Markets 4335 X 4570
- D. (k) (3) - Exempted by order of the Commission 4580

**Ownership Equity and Subordinated Liabilities maturing or proposed to be
withdrawn within the next six months and accruals, (as defined below),
which have not been deducted in the computation of Net Capital.**

Type of Proposed Withdrawal or Accrual (See below for code to enter)	Name of Lender or Contributor	Insider or Outsider ? (In or Out)	Amount to be with- drawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
<u>4600</u>	<u>4801</u>	<u>4602</u>	<u>4603</u>	<u>4604</u>	<u>4605</u>
<u>4610</u>	<u>4611</u>	<u>4612</u>	<u>4613</u>	<u>4614</u>	<u>4615</u>
<u>4620</u>	<u>4621</u>	<u>4622</u>	<u>4623</u>	<u>4624</u>	<u>4625</u>
<u>4630</u>	<u>4631</u>	<u>4632</u>	<u>4633</u>	<u>4634</u>	<u>4635</u>
<u>4640</u>	<u>4641</u>	<u>4642</u>	<u>4643</u>	<u>4644</u>	<u>4645</u>
<u>4650</u>	<u>4651</u>	<u>4652</u>	<u>4653</u>	<u>4654</u>	<u>4655</u>
<u>4660</u>	<u>4661</u>	<u>4662</u>	<u>4663</u>	<u>4664</u>	<u>4665</u>
<u>4670</u>	<u>4671</u>	<u>4672</u>	<u>4673</u>	<u>4674</u>	<u>4675</u>
<u>4680</u>	<u>4681</u>	<u>4682</u>	<u>4683</u>	<u>4684</u>	<u>4685</u>
<u>4690</u>	<u>4691</u>	<u>4692</u>	<u>4693</u>	<u>4694</u>	<u>4695</u>
TOTAL			\$ <u>4699</u>		

OMIT PENNIES

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c) (2) (iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE:	DESCRIPTION
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1(c) (2) (iv) Liabilities