



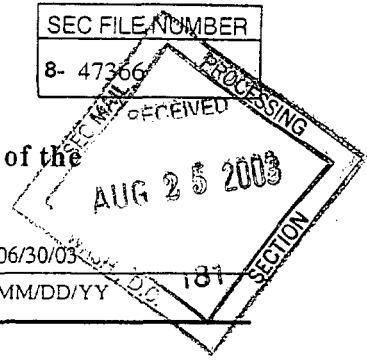
UNITED STATES AND EXCHANGE COMMISSION Washington, D.C. 20549

UF 8-29-03

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

SEC FILE NUMBER 8- 473866



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 07/01/02 AND ENDING 06/30/03 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Canyon Run Securities, Inc.

OFFICIAL USE ONLY FIRM I.D. NO.

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

13509 North Meridian, Suite #4

(No. and Street)

Oklahoma City (City)

Oklahoma (State)

73120 (Zip Code)

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

Cathy Lombard - Conner

(405) 751-3383

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Spicer, Jeffries & Co.

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

4155 E. Jewell Avenue, Suite 307 (Address)

Denver (City)

Colorado (State)

80222 (Zip Code)

CHECK ONE:

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

PROCESSED SEP 10 2003

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)

6-1-03

OATH OR AFFIRMATION

I, Cathy Lombard Conner, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Canyon Run Securities, Inc., as of June 30, 20 03, 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:

Cathy Lombard Conner  
Signature

Chief Financial and Compliance Officer  
Title



Donna K. Hurdon  
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 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.
- (o) Independent Auditors' Report on Internal Accounting Control.

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

CANYON RUN SECURITIES, INC.

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED JUNE 30, 2003

**CANYON RUN SECURITIES, INC.**

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Canyon Run Securities, Inc.

We have audited the accompanying statement of financial condition of Canyon Run Securities, Inc. as of June 30, 2003, and the related statements of operations, changes in shareholder's equity, changes in liabilities subordinated to claims of general creditors and cash flows for the year 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 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 Canyon Run Securities, Inc. as of June 30, 2003, 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 made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplemental schedules listed in the accompanying table of contents is presented for purposes of additional analysis and is not required for a fair presentation of the 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 our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Spicer, Jeffries & Co.*

Denver, Colorado  
August 5, 2003

CANYON RUN SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION  
JUNE 30, 2003

ASSETS

Cash	\$	22 452
Commissions receivable		5 480
Other receivables		21 295
Deposit with reintroducing broker-dealer		<u>10 000</u>
	\$	<u>59 227</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

**LIABILITIES:**

Accounts payable		1 035
Commissions payable	\$	<u>20 098</u>

***TOTAL LIABILITIES***

21 133

**COMMITMENTS AND CONTINGENCIES (Notes 4 and 5):**

**SHAREHOLDER'S EQUITY (Note 2):**

Common stock, \$1.00 par value; 10,000 shares authorized; 500 shares issued and outstanding		500
Additional paid-in capital		58 000
Deficit		<u>(20 406)</u>

***TOTAL SHAREHOLDER'S EQUITY***

38 094

\$ 59 227

**CANYON RUN SECURITIES, INC.**

**STATEMENT OF OPERATIONS**  
**YEAR ENDED JUNE 30, 2003**

**REVENUE:**

Commissions and fees	\$	285 313
Other income		<u>3 922</u>
<i>Total revenue</i>		<u>289 235</u>

**EXPENSES:**

Commissions		239 175
Clearing charges		12 646
Management fees (Note 4)		16 000
Regulatory fees		4 197
Professional fees		4 488
General and administrative		<u>7 730</u>
<i>Total expenses</i>		<u>284 236</u>

**NET INCOME BEFORE INCOME TAXES** 4 999

**INCOME TAXES (Note 3)** -

**NET INCOME** \$ 4 999

**CANYON RUN SECURITIES, INC.**

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
YEAR ENDED JUNE 30, 2003**

	Common Stock	Additional Paid-In Capital	Deficit	Total Shareholder's Equity
<b>BALANCES, JUNE 30, 2002</b>	\$ 500	\$ 54 000	\$ (25 405)	\$ 29 095
Capital contribution	-	4 000	-	4 000
Net income	-	-	4 999	4 999
<b>BALANCES, JUNE 30, 2003</b>	<u>\$ 500</u>	<u>\$ 58 000</u>	<u>\$ (20 406)</u>	<u>\$ 38 094</u>



CANYON RUN SECURITIES, INC.

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS  
YEAR ENDED JUNE 30, 2003

BALANCE, June 30, 2002	\$	-
Changes		<hr/> -
BALANCE, June 30, 2003	\$	<hr/> <hr/> -

CANYON RUN SECURITIES, INC.

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2003  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income	\$	4 999
Adjustments to reconcile net income to net cash used in operating activities:		
Increase in commissions receivable		(26 142)
Increase in commissions payable		<u>17 355</u>
<i>Net cash used in operating activities</i>		(3 788)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Capital contribution		<u>4 000</u>
----------------------	--	--------------

NET INCREASE IN CASH AND CASH EQUIVALENTS 212

CASH AND CASH EQUIVALENTS, at beginning of year 22 240

CASH AND CASH EQUIVALENTS, at end of year \$ 22 452

CANYON RUN SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The Company was incorporated in Oklahoma on May 12, 1994, and is a wholly owned subsidiary of Smith Management Consultants, Inc. The Company operates as a securities broker-dealer.

The Company under rule 15c3-3(k)(2)(ii) is exempt from the reserve and possession or control requirements of rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by a reintroducing broker-dealer through its clearing broker (collectively "clearing broker") on a fully disclosed basis. The Company's agreement with its clearing broker provides that as clearing broker, that firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the Act). It also performs all services customarily incident thereon, including the preparation and distribution of customer's confirmations and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the Company is a member.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Securities transactions and related commission revenue and expense are recorded on a trade date basis of accounting.

The Company measures its financial assets and liabilities in accordance with accounting principles generally accepted in the United States of America. For certain of the Company's financial instruments, including cash, commissions receivable, and commissions payable, the carrying amounts approximate fair value due to their short maturities.

For purposes of cash flows, the Company considers money market funds with maturity of three months or less to be cash equivalents.

The Company utilizes the asset and liability method of accounting for income taxes, as prescribed by Statement of Financial Accounting Standards No. 109. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which these temporary differences are expected to be recovered or settled. Changes in tax rates are recognized in income in the period that includes the enactment date.

**CANYON RUN SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Concluded)

***NOTE 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, as defined under such provisions. At June 30, 2003, the Company had net capital and net capital requirements of \$24,991 and \$5,000, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was .85 to 1. According to rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

***NOTE 3 - INCOME TAXES***

In the current year, the Company used \$4,999 of its net operating loss carryforward to offset taxes currently due. As of June 30, 2002, the Company had a remaining unused net operating loss carryforward for income tax purposes of approximately \$19,600 available to offset future taxable income. Of this amount approximately \$13,700 expires in 2012, and \$5,900 in 2019. This net operating loss carryforward may result in future income tax benefits of approximately \$4,100; however, because realization is uncertain at this time, a valuation reserve in the same amount has been established. The valuation reserve decreased by \$1,051 during the year ended June 30, 2003.

***NOTE 4 - COMMITMENTS AND RELATED PARTY TRANSACTIONS***

The Company has a management agreement with its parent for the use of office facilities and personnel. During the year ended June 30, 2003, the Company paid its parent \$16,000 under this agreement. In addition, the Company paid or accrued approximately \$235,500 of commissions to a related individual.

***NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES***

The Company is in business as a securities broker-dealer registered with the Securities and Exchange Commission and the National Association of Securities Dealers.

In the normal course of business, the Company's client activities ("clients") through its clearing broker involve the execution, settlement and financing of various client securities transactions. These activities may expose the Company to off-balance sheet risk. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

The Company has deposits with its clearing broker. These deposits are not covered by SIPC and are subject to loss should its clearing broker cease business.

**SUPPLEMENTARY INFORMATION**

CANYON RUN SECURITIES, INC.

COMPUTATION OF NET CAPITAL  
PURSUANT TO NET CAPITAL RULE 15c3-1  
JUNE 30, 2003

**CREDITS:**

Shareholder's equity \$ 38 094

**DEBITS:**

Nonallowable asset:

Deposit with reintroducing broker-dealer 10 000

Commissions receivable outstanding greater than 30 days 1 629

Other receivables 21 295

Less: assets adequately secured by liabilities (20 098)

12 826

*Net capital before haircut on money market funds* 25 268

Haircut on money market funds 277

**NET CAPITAL** 24 991

Minimum requirements of 6-2/3% of aggregate indebtedness of  
\$21,133 or \$5,000, whichever is greater 5 000

*Excess net capital* \$ 19 991

**AGGREGATE INDEBTEDNESS:**

Accounts payable \$ 1 035

Commissions payable 20 098

*Total aggregate indebtedness* \$ 21 133

**RATIO OF AGGREGATE INDEBTEDNESS TO NET  
CAPITAL**

.85 to 1

**CANYON RUN SECURITIES, INC.**

**RECONCILIATION OF NET CAPITAL PURSUANT  
TO UNIFORM NET CAPITAL RULE 15c3-1 INCLUDED IN THE COMPANY'S  
CORRESPONDING UNAUDITED FORM X-17A-5 PART II FILING WITH  
COMPUTATION INCLUDED IN THE REPORT PURSUANT TO RULE 17a-5(d)  
JUNE 30, 2003**

**NET CAPITAL PER COMPANY'S UNAUDITED  
FORM X-17A-5 PART II FILING**

**\$ 20 419**

**Adjustments:**

Decrease in expenses, net

7 397

Increase in non-allowable assets

(2 826)

Decrease in haircuts

1

4 572

**NET CAPITAL PER REPORT PURSUANT TO RULE 17a-5(d)**

**\$ 24 991**



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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

The Board of Directors  
Canyon Run Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedule of Canyon Run Securities, Inc. for the year ended June 30, 2003, we considered its internal control structure, including procedures 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 the internal control structure.

Also, as required by rule 17a5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Canyon Run Securities, Inc. that we considered relevant to the objectives stated in rule 17a-5(g), (i) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3; and (ii) for safeguarding the occasional receipt of securities and cash until promptly transmitted to the Company's clearing brokers. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or 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, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures 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 Commission's above-mentioned objectives. Two of the objectives of an internal control structure 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 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 any internal control structure 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. This report recognizes that it is not practicable in an organization the size of Canyon Run Securities, Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements 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 the internal control structure, including procedures 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 Commission 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 June 30, 2003, to meet the Commission's objectives.

In addition, our review indicated that Canyon Run Securities, Inc. was in compliance with the conditions of exemption from rule 15c3-3 pursuant to paragraph k(2)(ii) as of June 30, 2003, and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, Inc. and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Denver, Colorado  
August 5, 2003