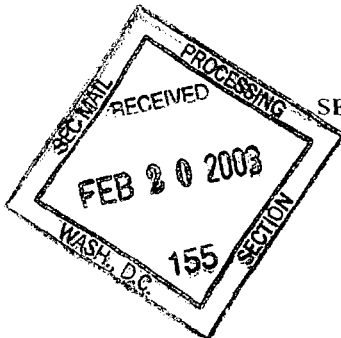


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SECURITIES 03053434 ION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: October 31, 2004  
Estimated average burden  
hours per response..... 12.00

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

SEC FILE NUMBER  
8-20438

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: ABRAMS, ALLAN EDWARD, dba  
THE MERCHANTHOUSE SECURITIES, INC.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

7700 CANTERBURY ST.  
PRAIRIE VILLAGE, KS 66208

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Marvin Birnbaum

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

7050 West 107th Street Suite 202 Overland Park Kansas 66212

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**

**JUN 02 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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Allan Abrams, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The MerchantHouse Securities, Inc., as of 12/31/02, 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:

n/a

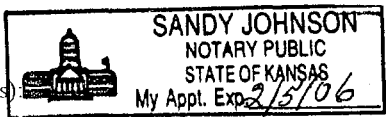
Allan E. Abrams  
Signature

President  
Title

State of Kansas  
Johnson County

Sandy Johnson  
Notary Public

02/11/03



This report \*\* contains (check all applicable boxes)

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

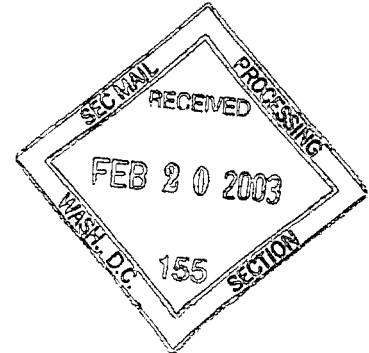
THE MERCHANTHOUSE SECURITIES, INC.

Report on Examination of Financial Statements

FOR THE YEAR ENDING DECEMBER 31, 2002

MARVIN A. BIRNBAUM  
Certified Public Accountant  
10500 Barkley, Suite 108  
Overland Park, KS 66212  
(913) 648-3195

INDEPENDENT AUDITORS' REPORT



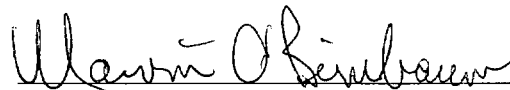
The MerchantHouse Securities, Inc.  
Attn: Mr. Allan Abrams  
7700 Canterbury St.  
Prairie Village, KS 66208

Dear Mr. Abrams:

We have audited the accompanying statements of financial condition of The MerchantHouse Securities, Inc. as of December 31, 2002, and related statements of income, changes in financial condition, changes in stockholders equity, changes in liabilities subordinated to claims of creditors, net capital computation, and the other attached and required items of computations, reconciliations, and reports, for the year then ended. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with 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 misstatements. 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 present fairly, in all material respects, the financial position of The MerchantHouse Securities, Inc. as of December 31, 2002, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

  
Marvin A. Birnbaum  
Certified Public Accountant

January 26, 2002

THE MERCHANTHOUSE SECURITIES, INC.  
FOR THE YEAR ENDED DECEMBER 31, 2002

( b )	<u>STATEMENT OF FINANCIAL CONDITION</u>	
	<u>Assets</u>	
	Current Assets	
	Cash	\$ 6,721
	Total	<u>\$ 6,721</u>
	<u>Liabilities and Stockholders Equity</u>	
	Liabilities	\$ 0
	Stockholders Equity	<u>\$ 6,721</u>
( c )	<u>STATEMENT OF INCOME</u>	
	Revenues	
	Fees/Profits from Underwriting, etc.	\$15,000
	Revenue from investment co. shares	13,405
	Interest received	<u>38</u>
	Total Revenue	\$28,443
	Expenses	
	Officer salaries	\$10,221
	Other employee compensation/commissions paid	15,918
	Regulatory fees	<u>1,800</u>
	Total Expenses	\$27,939
	Net income (loss)	<u>\$ 504</u>
( d )	<u>STATEMENT OF CASH FLOWS</u>	
	Cash, January 1, 2002	\$ 6,217
	Net income (loss)	504
	Cash, December 31, 2002	<u>\$ 6,721</u>
( e )	<u>STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY</u>	
	Stockholders Equity at beginning of year	\$ 6,271
	Net income (loss)	504
	Stockholders equity at end of year	<u>\$ 6,721</u>
( f )	<u>STATEMENT OF CHANGES IN LIABILITIES SUBORDINATE TO CLAIMS OF CREDITORS</u>	
	Notes payable, subordinated to creditors on 1/1/99	none
	Changes during the period	none
	Notes payable, subordinated to creditors on 12/31/99	none
( g )	<u>COMPUTATION OF NET CAPITAL</u>	
	Total ownership equity-qualified for net capital	\$ 6,721
	Less:	<u>0</u>
	Net Capital	<u>\$ 6,721</u>
	EXCESS NET CAPITAL	
	Net Capital	\$ 6,721
	Less: Minimum net capital requirement of B/d	<u>5,000</u>
	Excess Net Capital	<u>\$ 1,721</u>

THE MERCHANTHOUSE SECURITIES, INC.  
FOR THE YEAR ENDED DECEMBER 31, 2002

- (h) COMPUTATION FOR DETERMINATION OF THE RESERVE REQUIREMENT PURSUANT TO RULE 15c3-3  
Broker/dealer exempted under Rule 15c3-3(k)(2)(ii)
- (i) INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3  
Broker/dealer exempted under Rule 15c3-3(k)(2)(ii)
- (j) RECONCILIATION OF THE COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 AND DETERMINATION OF THE RESERVE REQUIREMENTS UNDER EXHIBIT A OF RULE 15c3-3  
Broker/dealer exempted under Rule 15c3-3(k)(2)(ii)
- (k) RECONCILIATION [PURSUANT TO RULE 17a-5(d)(4)] OF AUDITED AND UNAUDITED STATEMENTS  
There are no differences between the amounts indicated in the audited report and the amounts indicated in the firm's unaudited Form X-17a-5 filed with the NASD for the quarter ending December 31, 2002.
- (n) MATERIAL INADEQUACIES REPORT  
No material inadequacies have been found to exist since the date of the previous audit.