

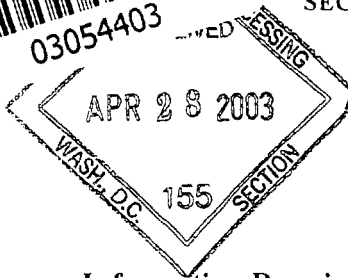


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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

TC 4130

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**

A

SEC FILE NUMBER
8- 52756

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: Granite Securities, LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
27980 Main Road

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Cutchogue, NY 11935
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Douglas DiDominica (631) 734-0001
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Coughlin Foundotos Cullen & Danowski, LLP
(Name - if individual, state last, first, middle name)

10 Roosevelt Avenue, Port Jefferson Station, NY 11776
(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 07 2003

**THOMSON
FINANCIAL**

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*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)

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DP 5-5

OATH OR AFFIRMATION

I, James R. Duffy, Jr. swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Granite Securities, LLC as of December 31, 20 02, 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

James R. Duffy, Jr.
Signature
Secretary
Title

Mary Wallace Kohlrosier
Notary Public

MARY WALLACE KOHLROSER
NOTARY PUBLIC, State of New York
01KO4918799
Qualified in Suffolk County
Commission Expires 2/1/06

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).

GRANITE SECURITIES, LLC
December 31, 2002 and 2001

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INDEPENDENT AUDITORS' REPORT

To the Members of
Granite Securities, LLC
Cutchogue, New York

We have audited the accompanying balance sheets of Granite Securities, LLC as of December 31, 2002 and 2001 and the related statements of operations and members' equity and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audits.

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 statement is free of material misstatement. 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 Granite Securities, LLC as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Coughlin Foundotos Cullen Danowski, LLP

February 14, 2003

GRANITE SECURITIES, LLC
BALANCE SHEETS
December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 59,311	\$ 71,330
Commissions receivable	9,691	-
Loans receivable	24,650	3,000
Member loan receivable	1,908	
Other receivables	5,000	-
	<u>100,560</u>	<u>74,330</u>
Total Current Assets	<u>\$ 100,560</u>	<u>\$ 74,330</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable & accrued expenses	\$ 11,786	\$ 102
Commissions payable	2,308	10,540
	<u>14,094</u>	<u>10,642</u>
Total Current Liabilities	14,094	10,642
MEMBERS' EQUITY	<u>86,466</u>	<u>63,688</u>
	<u>\$ 100,560</u>	<u>\$ 74,330</u>

GRANITE SECURITIES, LLC
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY
For the Years Ended December 31, 2002 and 2001

	2002	2001
REVENUES	\$ 434,102	\$ 151,279
OPERATING EXPENSES	442,008	216,283
Income from operations	(7,906)	(65,004)
OTHER INCOME (EXPENSE)		
Interest expense	-	(31)
Interest income	95	893
Dividend income	454	1,774
Total other income (expense)	549	2,636
NET LOSS	(7,357)	(62,368)
MEMBERS' EQUITY, BEGINNING OF YEAR	63,688	61,056
Capital contributions	30,135	65,000
MEMBERS' EQUITY, END OF YEAR	\$ 86,466	\$ 63,688

GRANITE SECURITIES, LLC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002 and 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (7,357)	\$ (62,368)
Changes in assets and liabilities:		
Commissions receivable	(9,691)	-
Loans receivable	(21,650)	(3,000)
Other receivables	(5,000)	-
Accounts payable	11,684	102
Commissions payable	(8,232)	10,540
	<u>(40,246)</u>	<u>(54,726)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan to member	(1,908)	-
Capital contributions	30,135	65,000
	<u>28,227</u>	<u>65,000</u>
Net Cash Provided By Financing Activities	<u>28,227</u>	<u>65,000</u>
Net (Decrease) Increase in Cash	(12,019)	10,274
CASH - Beginning of Year	<u>71,330</u>	<u>61,056</u>
CASH - End of Year	<u>\$ 59,311</u>	<u>\$ 71,330</u>

GRANITE SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Business Activity

Granite Securities, LLC (the "Company") was created on November 10, 1999 in the State of New York as a limited liability company for both Federal and New York State tax purposes.

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD).

b. Use of Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

c. Basis of Presentation

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions and investment advisory.

d. Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

e. Investment Advisory Income

Investment advisory fees are received quarterly but are recognized as earned on a pro rata basis over the term of the contract.

f. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, which are not held for sale in the ordinary course of business. Interest paid was \$-0- and \$31 for the years ended December 31, 2002 and 2001, respectively.

GRANITE SECURITIES, LLC
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. OTHER RECEIVABLES

Other receivables represent a \$5,000 refund for legal fees, which was received in January 2003.

3. CONCENTRATIONS OF CREDIT RISKS

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

4. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2002, the Company had net capital of \$54,141 which was \$49,141 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0.26 to 1 at December 31, 2002. At December 31, 2001, the Company had net capital of \$63,688 which was \$13,688 in excess of its required net capital of \$50,000. The Company's net capital ratio was 0.16 to 1 at December 31, 2001.

5. INCOME TAXES

No provision for federal and state income taxes has been made in the financial statement since the Company's profit and losses are reported on the individual members' tax return.

6. RELATED PARTY TRANSACTIONS

The Company leases office space from its member. The lease is classified as an operating lease. Rent expense was \$0 and \$38,500 for the years ended December 31, 2002 and 2001, respectively.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of
Granite Securities, LLC
Cutchogue, New York

Our report on our audit of the basic financial statement of Granite Securities, LLC for the years ended December 31, 2002 and 2001 appears on page 1. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information 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 under the Securities Exchange Act of 1934. Such information has been subjected to the 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.

Coughlin Foundotos Cullen Danowski, LLP

February 14, 2003

GRANITE SECURITIES, LLC
SCHEDULES OF OPERATING EXPENSES
For the Years Ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Commissions paid	\$ 329,271	\$ 97,945
Rent expense	8,458	38,500
Lease expense	13,167	3,650
Insurance	9,307	12,807
Professional fees	30,504	26,810
Office expense	6,325	1,755
Telephone & utility expense	3,882	-
Bank fees	6,734	2,374
Brokerage fees	14,497	1,966
Security	-	1,186
Dues and subscriptions	3,980	13,858
License and permits	14,553	15,432
Miscellaneous	875	-
Travel	455	-
Total Operating Expenses	<u><u>\$ 442,008</u></u>	<u><u>\$ 216,283</u></u>

GRANITE SECURITIES, LLC
SCHEDULES OF COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
For the Years Ended December 31, 2002 and 2001

	2002	2001
Net Capital		
Total members' equity	\$ 86,466	\$ 63,688
Deduct stockholders' equity not allowable for net capital		
Total stockholders' equity qualified for net capital	<u>86,466</u>	<u>63,688</u>
Deductions and/or charges:		
Nonallowable assets:		
Loans receivable	24,650	
Member loan receivable	1,908	
Other receivable	5,000	
Total deductions and/or charges	<u>31,558</u>	<u>-</u>
Net capital before haircuts on securities positions (tentative net capital)	54,908	63,688
Haircuts on securities	(767)	
Net Capital	<u>\$ 54,141</u>	<u>\$ 63,688</u>
Aggregate indebtedness		
Items included in consolidated financial condition:		
Commissions payable to brokers and dealers	\$ 2,308	\$ 10,540
Other accounts payable and accrued expenses	11,786	102
Total Aggregate Indebtedness	<u>\$ 14,094</u>	<u>\$ 10,642</u>
Computation of basic net capital requirement		
Minimum net capital required:	<u>\$ 5,000</u>	<u>\$ 50,000</u>
Excess net capital at 150 percent	<u>\$ -</u>	<u>\$ -</u>
Excess net capital at 100 percent	<u>\$ 49,141</u>	<u>\$ 13,688</u>
Ratio: Aggregate indebtedness to net capital	<u>26%</u>	<u>16%</u>
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 2002)		
Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 49,929	\$ 69,228
Audit adjustments to record commissions payable	-	(10,540)
Audit adjustments to record accounts receivable	9,691	-
Audit adjustment to record additional revenue	311	-
Audit adjustment to record accounting fee	(5,790)	-
Capital contribution	-	5,000
Net Capital Per Above	<u>\$ 54,141</u>	<u>\$ 63,688</u>

GRANITE SECURITIES, LLC
SCHEDULES OF COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
For the Years Ended December 31, 2002 and 2001

	2002	2001
Credit balances		
Free credit balances and other credit balances in customers' security accounts (including non-regulated commodity accounts, net of related margin deposits of \$322)	\$ -	\$ -
Monies borrowed collateralized by securities carried for the accounts of customers		
Monies payable against customers' securities loaned		
Customers' securities failed to receive (including credit balances in continuous settlement accounts)		
Credit balances in firm accounts that are attributable to principal sales to customers		
Market value of stock dividends, stock splits, and similar distributions receivable outstanding over thirty calendar days		
Market value of short security count differences over thirty calendar days old		
Market value of short securities and credits (not to be offset by "longs" or by debits) in all suspense accounts over thirty calendar days		
Market value of securities that are in transfer in excess of forty calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer		
Total credit items	\$ -	\$ -
Debit balances		
Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to rule 15c3-3	\$ -	\$ -
Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver		
Failed to deliver customers' securities not older than thirty calendar days (including debit balances in continuous net settlement accounts)		
Other		
Gross debits	-	-
Less 3 percent charge		
Total debit items	-	-
Reserve computation		
Excess of total debits over total credits	\$ -	\$ -
Required deposit	\$ -	\$ -
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 2002)		
Excess as reported in Company's Part II FOCUS report	-	-
Nonregulated commodity margin deposits erroneously excluded from the Company's computation		
Other items, net		
Excess per above computation	\$ -	\$ -

GRANITE SECURITIES, LLC
SCHEDULES OF INFORMATION RELATING TO POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND
EXCHANGE COMMISSION
For the Years Ended December 31, 2002 and 2001

	2002	2001
1. Customers' fully paid and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames specified under rule 15c3-3).	\$ -	\$ -
A. Number of items	None	None
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under rule 15c3-3.	\$ -	\$ -
A. Number of items	None	None