



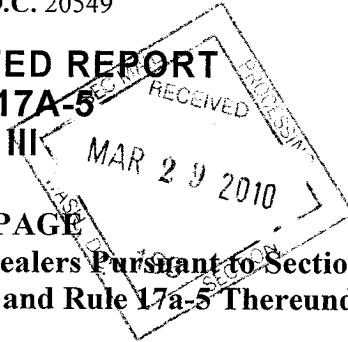
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X17A-5
PART III



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 January 1, 2009 AND ENDING December 31, 2009
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Sumner Harrington Ltd.

OFFICIAL USE ONLY
FIRM ID. NO.

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

11100 Wayzata Boulevard, Suite 170

(No. and Street)

Minneapolis

Minnesota

55305

(city)

(State)

(Zip Code)

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

K. Edward Elverud

(952) 542-7952

(Area Code—Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lurie Besikof Lapidus and Company, LLP

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

2501 Wayzata Boulevard

Minneapolis

Minnesota

55405

(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

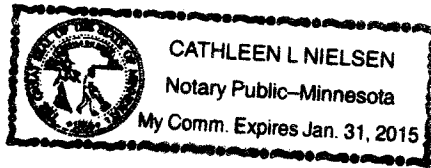
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, K. Edward Elverud, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sumner Harrington Ltd., as of December 31, 2009, 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:

[Handwritten Signature]
Signature
[Handwritten Title]
Title

Cathleen L. Nielsen 3-26-10
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/Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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.
- (o) Report on internal control required by SEC Rule 17a-5 for a broker-dealer claiming an exemption from SEC Rule 15c3-3.

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

Sumner Harrington Ltd.

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Independent Auditor's Report

The Board of Directors and Stockholder
Sumner Harrington Ltd.
Minneapolis, Minnesota

We have audited the accompanying statement of financial condition of Sumner Harrington Ltd. (Company), a wholly-owned subsidiary, as of December 31, 2009, and the related statements of operations, stockholder's 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 Sumner Harrington Ltd. as of December 31, 2009, 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.

The accompanying financial statements have been prepared assuming that Sumner Harrington Ltd. will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's ability to operate as a going concern depends upon the resolution of an ongoing Financial Industry Regulatory Authority examination and the Company's ability to improve profitability in amounts sufficient to maintain net capital in excess of minimum levels required by the Securities and Exchange Commission. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 4 to the financial statements, the Company intends to distribute the tax benefits of the net operating loss carryforward to the consolidated group when utilization is realized.

Lurie Besikof Lapidus & Company, LLP

Lurie Besikof Lapidus & Company, LLP

March 22, 2010

phone 612.377.4404
fax 612.377.1325

address 2501 Wayzata Boulevard
Minneapolis, MN 55405

website www.lbico.com

Sumner Harrington Ltd.

Statement of Financial Condition

December 31	2009
ASSETS	
Cash	\$ 21,993
Prepaid expenses	18,670
Other	100
Total Assets	\$ 40,763
LIABILITIES AND STOCKHOLDER'S EQUITY	
Accounts payable and accrued liabilities	\$ 10,549
Stockholder's equity	30,214
Total Liabilities and Stockholder's Equity	\$ 40,763

See notes to financial statements.

Sumner Harrington Ltd.

Statement of Operations

Year Ended December 31	2009
Revenue	
Commissions earned	\$ 283,686
Interest and dividends	109
Total Revenue	283,795
Expenses	
Communications and marketing	5,508
Employee compensation and benefits	8,022
Occupancy and office expenses	84,960
Professional services	31,669
Regulatory	23,261
Shared services	146,903
Total Expenses	300,323
Net Loss	\$ (16,528)

See notes to financial statements.

Sumner Harrington Ltd.

Statement of Stockholder's Equity

Description	Common Stock *		Additional Paid-in Capital	Accumulated Deficit	Stockholder's Equity
	Shares	Amount			
Balance, December 31, 2008	150,000	\$ 1,500	\$ 803,161	\$ (757,919)	\$ 46,742
Net loss	-	-	-	(16,528)	(16,528)
Balance, December 31, 2009	150,000	\$ 1,500	\$ 803,161	\$ (774,447)	\$ 30,214

* \$0.01 par value; authorized 1,000,000 shares; issued and outstanding 150,000 shares.

See notes to financial statements.

Sumner Harrington Ltd.

Statement of Cash Flows

Year Ended December 31	2009
Operating Activities	
Net loss	\$ (16,528)
Adjustments to reconcile net loss to net cash used by operating activities:	
Changes in operating assets and liabilities:	
Prepaid expenses	2,331
Other assets	(5)
Accounts payable and accrued liabilities	2,683
Net Cash Used by Operating Activities and Net Decrease in Cash	(11,519)
Cash	
Beginning of year	33,512
End of year	\$ 21,993
Supplementary Disclosure of Cash Flow Information	
Cash paid for interest	\$ 226

See notes to financial statements.

Sumner Harrington Ltd.

Notes to Financial Statements

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Sumner Harrington Ltd. (the Company) is a wholly-owned subsidiary of Sumner Harrington, Incorporated (SHI). The Company is a registered securities broker-dealer that engages primarily in investment banking and the origination of new issue corporate securities.

Revenue Recognition

Commissions are recognized as earned on a trade date basis.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

Credit Risk

The Company maintains cash in a bank depository account that may at times exceed federally insured limits. The Company has not experienced any losses in this account and does not believe it is exposed to any significant credit risk on cash.

2. Going Concern and FINRA Investigation

These financial statements were prepared assuming the Company will continue as a going concern. Although the Company had excess net capital of \$6,444 as of December 31, 2009, without sufficient future funding, the Company may not be able to maintain net capital in excess of minimum levels required by the Securities and Exchange Commission. The success of the Company's future operations is dependent on the Company's ability to expand its sources of commissions earned and/or to reduce costs.

In addition, the Company and its CEO are parties to a FINRA Enforcement Department investigation. In August 2009 FINRA Enforcement staff made a preliminary determination to recommend that disciplinary action be brought against them for violating certain NASD Rules. The Company and CEO responded to FINRA's allegations in September 2009 and again in March 2010. FINRA Sanction Guidelines suggest monetary fines, suspension, Bar or other sanctions could, depending on the ultimate resolution of the matter, cause the Company to cease operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

3. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. Net capital and the related net capital ratio fluctuate on a daily basis; however, at December 31, 2009, net capital under the rule was \$11,444, which exceeded the minimum net capital requirement by \$6,444. Aggregate indebtedness was \$10,549 at December 31, 2009, resulting in a ratio of aggregate indebtedness to net capital of .92 to 1.

Sumner Harrington Ltd.

Notes to Financial Statements

3. Net Capital Requirements (continued)

The Company operates under the exemptive provisions (k)(2)(i) of Rule 15c-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provision of the rule. Under the exemption, the Company carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker-dealer, does not hold funds or securities for, or owe money or securities to, customers, and effectuates all financial transactions through bank accounts designated as a special account for the benefit of the Company's customers. Therefore, the Company is not required to make periodic computations of reserve requirements for the exclusive benefit of customers. The Company does not have a fully disclosed clearing arrangement with any other broker-dealer and holds no customer funds or securities.

4. Income Taxes

Federal and state income taxes are calculated as if the Company filed separate income tax returns. The Company is included in the consolidated federal and state income tax returns filed by its parent. The Company's parent is generally no longer subject to federal and state income tax examinations by tax authorities for years before 2005.

The Company had a net loss, for tax purposes, of approximately \$16,500 in 2009. At December 31, 2009, the Company had a net operating loss carryforward of approximately \$299,000 for federal tax purposes that expires beginning in 2024. The deferred tax asset related to the net operating loss carryforward at December 31, 2008, was \$95,000 and was fully reserved with a valuation allowance due to the uncertainty of utilizing the tax asset. The increase in the deferred tax asset during 2009 was offset by a corresponding increase in the valuation allowance of \$5,000. The Company distributes the tax benefits of its net operating loss carryforward to the consolidated group when utilization is realized.

5. Related Party Transactions and Balances

SHI, the Company's parent, invoices and collects payments of commissions earned from the Company's customers. SHI remits cash to the Company as needed to pay certain expenses and maintain the Company's net capital requirement.

The Company also has cost-sharing agreements with members of its consolidated group to share expenses pro-rata for office space, equipment, and services based on estimated usage. During 2009, the Company waived the agreements and consequently incurred expenses totaling \$146,778 representing customer payments collected by SHI and certain shared expenses.

6. Defined Contribution Plan

The Company has a 401(k) defined contribution plan for eligible salaried employees. The Company's contribution to the Plan was \$3,242 for 2009.

7. Operating Lease

The Company leases office space under a month-to-month lease agreement. The agreement provides for monthly rent of \$1,500 effective April 1, 2009 (\$1,720 January through March 2009). The cost is allocated based on space usage on a monthly basis between the Company (75%) and an affiliate of the Company (25%). Rent expense was \$14,063 for 2009.

8. Concentrations

During 2009, two customers comprised approximately 49% and 35% of commissions earned, respectively.

Sumner Harrington Ltd.

Notes to Financial Statements

9. Subsequent Event

Management has evaluated subsequent events through March 22, 2010, the date at which the financial statements were available to be issued.

Independent Auditor's Report on Supplementary Information Required by Rule 17a-5 of the Securities and Exchange Commission

The Board of Directors and Stockholder
Sumner Harrington Ltd.
Minneapolis, Minnesota

We have audited the accompanying financial statements of Sumner Harrington Ltd. (Company) as of and for the year ended December 31, 2009, and have issued our report thereon dated March 22, 2010. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedule on page 10 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.

Lurie Besikof Lapidus & Company, LLP

Lurie Besikof Lapidus & Company, LLP

March 22, 2010

phone 612.377.4404
fax 612.377.1325

address 2501 Wayzata Boulevard
Minneapolis, MN 55405

website www.lblco.com

Sumner Harrington Ltd.

Computation of Net Capital

Year Ended December 31	2009
Net Capital	
Stockholder's equity	\$ 30,214
Deductions and/or charges:	
Nonallowable assets:	
Prepaid expenses	18,670
Other assets	100
Total deductions and/or charges	18,770
Net Capital	\$ 11,444

Aggregate Indebtedness

Total liabilities	\$ 10,549
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Computation of Net Capital Requirement

Minimum net capital required (6-2/3% of aggregate indebtedness or \$5,000, whichever is greater)	\$ 5,000
Excess net capital	\$ 6,444
Ratio of aggregate indebtedness to net capital	0.92 to 1

Reconciling Items to the Company's Computation Included in Part II of Form X-17a-5 as of December 31, 2009

Net capital as reported by the Company	\$ 11,445
Net audit adjustments	-
Rounding	(1)
Net Capital	\$ 11,444

**Independent Auditor's Report on Internal Control Required by SEC Rule 17a-5(g)(1) for a
Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3**

The Board of Directors and Stockholder
Sumner Harrington Ltd.
Minneapolis, Minnesota

In planning and performing our audit of the financial statements of Sumner Harrington Ltd. (Company) as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, 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 such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the 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, and 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.

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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 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 deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

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. However, we identified a deficiency in internal control considered to be a significant deficiency and communicated it in writing to management and those charged with governance on March 22, 2010. We also identified the following deficiency in internal control that we consider to be a material weakness, as defined above.

Material Weakness

The Company is expected to establish internal controls over financial reporting that provide reasonable assurance that its financial statements are fairly presented in conformity with generally accepted accounting principles. The Company has not established such control procedures.

We assisted the Company in preparing the financial statements and related disclosures. Management continued to make all management decisions and performed all management functions. Additionally, management designated an individual with suitable skill, knowledge, and experience to oversee our services and for evaluating the adequacy and results of those services and accepting responsibility for them.

These conditions were considered in determining the nature, timing, and extent of the procedures performed in our audit of the financial statements of Sumner Harrington Ltd. as of and for the year ended December 31, 2009, and this report does not affect our report thereon dated March 22, 2010.

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, 2009, 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.

Lurie Besikof Lapidus & Company, LLP

Lurie Besikof Lapidus & Company, LLP

March 22, 2010

Sumner Harrington Ltd.

**Financial Statements
and Supplementary Information**

December 31, 2009