

4th
2/19/2002

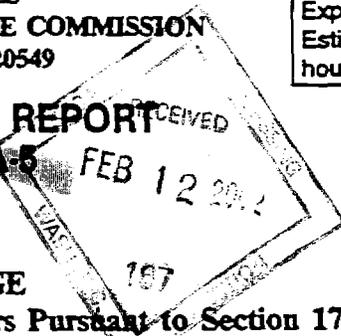
TC 2/15/02

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response . . . 12.00



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



SEC FILE NUMBER
8-38999

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 01/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

First Winston Securities, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

121-E Reynolda Village

(No. and Street)

Winston-Salem

North Carolina

27106

(City)

(State)

(Zip Code)

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

William F. Marshall

(336) 761-1900

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Butler & Burke, L.L.P., CPA's

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

100 Club Oaks Court, Suite A

Winston-Salem

North Carolina

27104

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
FEB 22 2002
THOMSON
FINANCIAL

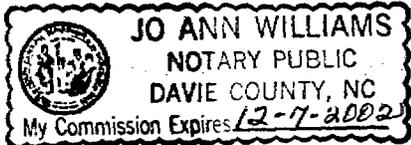
FOR OFFICIAL USE ONLY

*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

OATH OR AFFIRMATION

I, William F. Marshall, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Winston Securities, Inc., as of December 31, 2001, 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:



Jo Ann Williams
Notary Public

William F. Marshall
Signature
PRESIDENT
Title

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 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) 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).

***FIRST WINSTON
SECURITIES, INC.***

Financial Statements

December 31, 2001

**FORM
X-17A-5**

FOCUS REPORT

OMB No. 3235-0123
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

PART II 11

3/91

(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 26

NAME OF BROKER-DEALER

First Winston Securities, Inc. 13

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

121-E Reynolda Village 20

(No. and Street)

Winston-Salem 21 **North Carolina** 22 **27104** 23

(City)

(State)

(Zip Code)

SEC FILE NO

8-38999 14

FIRM ID. NO.

21538 15

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/01 24

AND ENDING (MM/DD/YY)

12/31/01 25

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

William F. Marshall 30

(Area Code)—Telephone No.

(336) 761-1900 31

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

- 32 33
34 35
36 37
38 39

- DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 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 15th day of February, 2012

- Manual signatures of:
- 1) William F Marshall
Principal Executive Officer or Managing Partner
- 2) William F Marshall
Principal Financial Officer or Partner
- 3) William F Marshall
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))

07-021538-B
 FIRST WINSTON SECURITIES, INC.
 WILLIAM F. MARSHALL
 P.O. BOX 7409, REYNOLDA VILLAGE
 WINSTON-SALEM, NC 27109

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

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

BUTLER & BURKE, LLP, CPA'S 70

ADDRESS Number and Street City State Zip Code

100 CLUB OAKS COURT, SUITE A, WINSTON-SALEM, NC 27104

71 72 73 74

Check One

- Certified Public Accountant 75
- Public Accountant 76
- Accountant not resident in United States or any of its possessions 77

FOR SEC USE

DO NOT WRITE UNDER THIS LINE ... FOR SEC USE ONLY

| WORK LOCATION | REPORT DATE MM/DD/YY | DOC. SEQ. NO. | CARD | | | | |
|---------------|-------------------------|---------------|------|--|--|--|--|
| 50 | 51 | 52 5 | 3 | | | | |



Stockholders and Directors
First Winston Securities, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial condition of First Winston Securities, Inc. as of December 31, 2001, and the related statements of income (loss), changes in ownership 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 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 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 First Winston Securities, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Butler & Burke, LLP

Winston-Salem, North Carolina
January 15, 2002

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

BROKER OR DEALER First Winston Securities, Inc. **N 2** 100

STATEMENT OF FINANCIAL CONDITION

As of (MM/DD/YY) 12/31/01 99
SEC FILE NO. 8-38999 98

Consolidated 198
Unconsolidated 199

ASSETS

| | <u>Allowable</u> | <u>Nonallowable</u> | <u>Total</u> |
|--|------------------|---------------------|--------------|
| 1 Cash | \$ 110,941 | | \$ 110,941 |
| 2 Cash segregated in compliance with federal and other regulations | 210 | | 760 |
| 3 Receivable from brokers or dealers and clearing organizations | | | |
| A. Failed to deliver | | | |
| 1. Includable in "Formula for Reserve Requirements" | 220 | | |
| 2. Other | 230 | | 770 |
| B. Securities borrowed: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 240 | | |
| 2. Other | 250 | | 780 |
| C. Omnibus accounts | | | |
| 1. Includable in "Formula for Reserve Requirements" | 260 | | |
| 2. Other | 270 | | 790 |
| D. Clearing organizations | | | |
| 1. Includable in "Formula for Reserve Requirements" | 280 | | |
| 2. Other | 290 | | 800 |
| E. Other | 300 | \$ 550 | 810 |
| 4 Receivables from customers | | | |
| A. Securities accounts | | | |
| 1. Cash and fully secured accounts | 310 | | |
| 2. Partly secured accounts | 320 | 560 | |
| 3. Unsecured accounts | | 570 | |
| B. Commodity accounts | 330 | 580 | |
| C. Allowance for doubtful accounts | 335 | 590 | 820 |
| 5 Receivables from non-customers | | | |
| A. Cash and fully secured accounts | 340 | | |
| B. Partly secured and unsecured accounts | 350 | 600 | 830 |
| 6 Securities purchased under agreements to resell | 360 | 605 | 840 |
| 7 Securities and spot commodities owned, at market value | | | |
| A. Bankers acceptances, certificates of deposit and commercial paper | 370 | | |
| B. U.S. and Canadian government obligations | 380 | | |
| C. State and municipal government obligations | 7,421,086 | 390 | |
| D. Corporate obligations | 400 | | |

OMIT

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

BROKER OR DEALER First Winston Securities, Inc.

as of 12/31/01

STATEMENT OF FINANCIAL CONDITION

ASSETS

| | <u>Allowable</u> | <u>Nonallowable</u> | <u>Total</u> |
|--|------------------|---------------------|------------------|
| E. Stocks and warrants | \$ 410 | | |
| F. Options | 420 | | |
| G. Arbitrage | 422 | | |
| H. Other securities | 424 | | |
| I. Spot commodities | 430 | | |
| | | | \$ 7,421,086 850 |
| 8. Securities owned not readily marketable: | | | |
| A. At Cost | \$ 130 | | |
| B. At estimated fair value | 440 | \$ 610 | 860 |
| 9. Other investments not readily marketable: | | | |
| A. At Cost | \$ 140 | | |
| B. At estimated fair value | 450 | 72,100 620 | 72,100 870 |
| 10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | | | |
| A. Exempted securities | \$ 150 | | |
| B. Other | \$ 460 | 630 | 880 |
| 11. Secured demand notes - market value of collateral: | | | |
| A. Exempted securities | \$ 170 | | |
| B. Other | \$ 470 | 640 | 890 |
| 12. Memberships in exchanges: | | | |
| A. Owned, at market value | \$ 190 | | |
| B. Owned at cost | | 650 | |
| C. Contributed for use of company, at market value | | 660 | 900 |
| 13. Investment in and receivables from affiliates, subsidiaries and associated partnerships | 480 | 670 | 910 |
| 14. Property, furniture, equipment, leasehold improvements and rights under lease agreements At cost (net of accumulated depreciation and amortization) | 490 | 4,184 680 | 4,184 920 |
| 15. Other Assets: | | | |
| A. Dividends and interest receivable | 47,304 500 | 690 | |
| B. Free shipments | 510 | 700 | |
| C. Loans and advances | 520 | 710 | |
| D. Miscellaneous | 530 | 720 | |
| | | 47,304 930 | |
| 16. TOTAL ASSETS | \$ 7,579,331 540 | \$ 76,284 740 | \$ 7,655,615 940 |

OMIT PENNIE S

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

BROKER OR DEALER

First Winston Securities, Inc.

as of 12/31/01

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY

| <u>Liabilities</u> | <u>A.I. Liabilities *</u> | <u>Non-A.I. Liabilities *</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------------|----------------|
| 17. Bank loans payable: | | | |
| A. Includable in "Formula for Reserve Requirements" | \$ 1030 | \$ 1240 | \$ 1460 |
| B. Other | 1040 | 6,011,000 1250 | 6,011,000 1470 |
| 18. Securities sold under repurchase agreements .. | | 1260 | 1480 |
| 19. Payable to brokers or dealers and clearing organizations: | | | |
| A. Failed to receive: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1050 | 1270 | 1490 |
| 2. Other | 1060 | 1280 | 1500 |
| B. Securities loaned: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1070 | | 1510 |
| 2. Other | 1080 | 1290 | 1520 |
| C. Omnibus accounts: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1090 | | 1530 |
| 2. Other | 1095 | 1300 | 1540 |
| D. Clearing organizations: | | | |
| 1. Includable in "Formula for Reserve Requirements" | 1100 | | 1550 |
| 2. Other | 1105 | 1310 | 1560 |
| E. Other | 1110 | 1320 | 1570 |
| 20. Payable to customers: | | | |
| A. Securities accounts including free credits of | \$ 950 | | \$ 1580 |
| B. Commodities accounts | 10,407 1120 | 1330 | 1590 |
| 21. Payable to non customers: | | | |
| A. Securities accounts | 1140 | 1340 | 1600 |
| B. Commodities accounts | 1150 | 1350 | 1610 |
| 22. Securities sold not yet purchased at market value including arbitrage of | \$ 960 | 1360 | 1620 |
| 23. Accounts payable and accrued liabilities and expenses: | | | |
| A. Drafts payable | 1160 | | 1630 |
| B. Accounts payable | 1170 | | 1640 |
| C. Income taxes payable | 1180 | | 1650 |
| D. Deferred income taxes | | 1370 | 1660 |
| E. Accrued expenses and other liabilities | 1190 | | 1670 |
| F. Other | 1200 | 1380 | 1680 |

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

BASIC FILERS ONLY

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

BROKER OR DEALER First Winston Securities, Inc.

as of 12/31/01

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

| <u>Liabilities</u> | <u>A.I. Liabilities *</u> | <u>Non-A.I. Liabilities *</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------------|--------------------------|
| 24 Notes and mortgages payable: | | | |
| A. Unsecured | \$ 1210 | | \$ 1690 |
| B. Secured | 1211 | \$ 1390 | 1700 |
| 25 Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings | | 1400 | 1710 |
| 1. from outsiders ∇ \$ | 970 | | |
| 2. Includes equity subordination (15c3-1 (d)) of | \$ 980 | | |
| B. Securities borrowings, at market value: | | 1410 | 1720 |
| from outsiders \$ | 990 | | |
| C. Pursuant to secured demand note collateral agreements: | | 1420 | 1730 |
| 1. from outsiders \$ | 1000 | | |
| 2. Includes equity subordination (15c3-1 (d)) of | \$ 1010 | | |
| D. Exchange memberships contributed for use of company at market value | | ∇ 1430 | 1740 |
| E. Accounts and other borrowings not qualified for net capital purposes | 1220 | 1440 | 1750 |
| 26 TOTAL LIABILITIES | \$ 10,407 1230 | \$ 6,011,000 1450 | \$ 6,021,407 1760 |
| Ownership Equity | | | |
| 27 Sole proprietorship | | | \$ 177 |
| 28 Partnership-limited partners | \$ 1020 | | 178 |
| 29 Corporation | | | |
| A. Preferred stock | | | 179 |
| B. Common stock | | ∇ 542,859 | 179 |
| C. Additional paid-in capital | | | 179 |
| D. Retained earnings | | 1,091,349 | 179 |
| E. Total | | 1,634,208 | 179 |
| F. Less capital stock in treasury | | | 179 |
| 30 TOTAL OWNERSHIP EQUITY | | | \$ 1,634,208 180 |
| 31 TOTAL LIABILITIES AND OWNERSHIP EQUITY | | | \$ 7,655,615 181 |

OMIT PENNY

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

PART II—FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

| | | | |
|--|---|------|---------|
| BROKER OR DEALER First Winston Securities, Inc. | For the period (MMDDYY) from 01/01/01 to 12/31/01 | 3932 | to 3933 |
| | Number of months included in this statement | 12 | |
| | | | 3931 |

REVENUE

STATEMENT OF INCOME (LOSS)

| | | | |
|---|----|--------------|------|
| 1. Commissions: | | | |
| a. Commissions on transactions in listed equity securities executed on an exchange | \$ | | 3935 |
| b. Commissions on transactions in exchange listed equity securities executed over-the-counter | | | 3937 |
| c. Commissions on listed option transactions | | | 3938 |
| d. All other securities commissions | | Y | 3939 |
| e. Total securities commissions | | | 3940 |
| 2. Gains or losses on firm securities trading accounts | | | |
| a. From market making in over-the-counter equity securities | | | 3941 |
| i. Includes gains or (losses) OTC market making in exchange listed equity securities | | 3943 | |
| b. From trading in debt securities | | 1,590,411 | 3944 |
| c. From market making in options on a national securities exchange | | | 3945 |
| d. From all other trading | | | 3949 |
| e. Total gains or (losses) | | | 3950 |
| 3. Gains or losses on firm securities investment accounts | | | |
| a. Includes realized gains (losses) | | 4235 | |
| b. Includes unrealized gains (losses) | | 4236 | |
| c. Total realized and unrealized gains (losses) | | Y | 3952 |
| 4. Profits or (losses) from underwriting and selling groups | | 12,089 | 3955 |
| a. Includes underwriting income from corporate equity securities | | 4237 | |
| 5. Margin interest | | | 3960 |
| 6. Revenue from sale of investment company shares | | | 3970 |
| 7. Fees for account supervision, investment advisory and administrative services | | | 3975 |
| 8. Revenue from research services | | | 3980 |
| 9. Commodities revenue | | | 3990 |
| 10. Other revenue related to securities business | | Y | 3985 |
| 11. Other revenue | | 181,914 | 3995 |
| 12. Total revenue | | \$ 1,784,414 | 4030 |

EXPENSES

| | | | |
|---|----|--------------|------|
| 13. Registered representatives' compensation | \$ | | 4110 |
| 14. Clerical and administrative employees' expenses | | | 4040 |
| 15. Salaries and other employment costs for general partners, and voting stockholder officers | | | 4120 |
| a. Includes interest credited to General and Limited Partners capital accounts | | 4130 | |
| 16. Floor brokerage paid to certain brokers (see definition) | | | 4055 |
| 17. Commissions and clearance paid to all other brokers (see definition) | | Y | 4145 |
| 18. Clearance paid to non-brokers (see definition) | | 38,261 | 4135 |
| 19. Communications | | 53,637 | 4060 |
| 20. Occupancy and equipment costs | | 29,776 | 4080 |
| 21. Promotional costs | | 578 | 4150 |
| 22. Interest expense | | 147,834 | 4075 |
| a. Includes interest on accounts subject to subordination agreements | | 4070 | |
| 23. Losses in error account and bad debts | | | 4170 |
| 24. Data processing costs (including service bureau service charges) | | Y | 4186 |
| 25. Non-recurring charges | | | 4190 |
| 26. Regulatory fees and expenses | | 5,128 | 4195 |
| 27. Other expenses | | 96,996 | 4100 |
| 28. Total expenses | | \$ 1,195,800 | 4200 |

NET INCOME

| | | | |
|--|----|------------|------|
| 29. Income (loss) before Federal income taxes and items below (Item 12 less Item 28) | \$ | | 4210 |
| 30. Provision for Federal income taxes (for parent only) | | 0 | 4220 |
| 31. Equity in earnings (losses) of unconsolidated subsidiaries not included above | | Y | 4222 |
| a. After Federal income taxes of | | 4238 | |
| 32. Extraordinary gains (losses) | | | 4224 |
| a. After Federal income taxes of | | 4239 | |
| 33. Cumulative effect of changes in accounting principles | | | 4225 |
| 34. Net income (loss) after Federal income taxes and extraordinary items | | \$ 588,614 | 4230 |

MONTHLY INCOME

| | | | |
|---|----|--|------|
| 35. Income (current month only) before provision for Federal income taxes and extraordinary items | \$ | | 4211 |
|---|----|--|------|

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
Capital Withdrawals
PART II

BROKER OR DEALER

First Winston Securities Inc.

For the period (MMDDYY) from

01/01/01

to 12/31/01

RECAP

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, which have not been deducted in the computation of net capital.

1. Equity Capital

A. Partnership Capital

| | | |
|---------------------------------|----|------|
| 1. General Partners | \$ | 4700 |
| 2. Limited | | 4710 |
| 3. Undistributed Profits | | 4720 |
| 4. Other (describe below) | | 4730 |
| 5. Sole Proprietorship | | 4735 |

B. Corporation Capital

| | | |
|--|----|------|
| 1. Common Stock | | 4740 |
| 2. Preferred Stock | | 4750 |
| 3. Retained Earnings (Dividends and Other) | \$ | 4760 |
| 4. Other (describe below) | | 4770 |

2. Subordinated Liabilities

| | | |
|---------------------------------|--|------|
| A. Secured Demand Notes | | 4780 |
| B. Cash Subordinations | | 4790 |
| C. Debentures | | 4800 |
| D. Other (describe below) | | 4810 |

3. Other Anticipated Withdrawals

| | | |
|---|----|------|
| A. Bonuses | | 4820 |
| B. Voluntary Contributions to Pension or Profit Sharing Plans | \$ | 4860 |
| C. Other (describe below) | | 4870 |

Total

| | |
|----|------|
| \$ | 4880 |
|----|------|

4. Description of Other

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

| | | | |
|---|----|-----------|------|
| 1. Balance, beginning of period | \$ | 1,465,594 | 4240 |
| A. Net income (loss) | | 588,614 | 4250 |
| B. Additions (Includes non-conforming capital of | \$ | 4262 | 4260 |
| C. Deductions (Includes non-conforming capital of | \$ | 4272 | 4270 |
| 2. Balance, end of period (From Item 1800) | \$ | 1,634,208 | 4290 |

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS

| | | | |
|--|----|---|------|
| 3. Balance, beginning of period | \$ | 0 | 4300 |
| A. Increases | | | 4310 |
| B. Decreases | | | 4320 |
| 4. Balance, end of period (From item 3520) | \$ | 0 | 4330 |

OMIT PENNIES

FIRST WINSTON SECURITIES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2001

OPERATING ACTIVITIES

| | |
|---|--------------------|
| Net income | \$ 588,614 |
| Adjustments to reconcile net income to net cash used in operating activities: | |
| Depreciation | 1,421 |
| (Increase)/Decrease in operating assets: | |
| Securities owned, net | (2,288,892) |
| Interest receivable | (6,687) |
| Increase/(Decrease) in operating liabilities: | |
| Accounts payable | (6,000) |
| Customer deposits | 10,407 |
| Other payables | <u>(11,398)</u> |
| | |
| <u>NET CASH USED IN OPERATING ACTIVITIES</u> | <u>(1,712,535)</u> |

INVESTING ACTIVITIES

| | |
|--|----------------|
| Purchase of equipment | <u>(1,065)</u> |
| | |
| <u>NET CASH USED IN INVESTING ACTIVITIES</u> | <u>(1,065)</u> |

FINANCING ACTIVITIES

| | |
|--|------------------|
| Proceeds from secured short term bank loans, net | 2,144,000 |
| Dividends paid | <u>(420,000)</u> |
| | |
| <u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u> | <u>1,724,000</u> |

INCREASE IN CASH

| | |
|-------------------------------------|-------------------|
| | 10,400 |
| Cash, Beginning | <u>100,541</u> |
| Cash, Ending | <u>\$ 110,941</u> |
| | |
| Supplemental cash flow disclosures: | |
| Interest payments | <u>\$ 159,232</u> |

FIRST WINSTON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

First Winston Securities, Inc. is registered as a dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934. The Company deals primarily in municipal bonds and performs underwriting services only as a participating underwriter. The Company's customers are generally located in North Carolina.

Securities Transactions

Securities transactions (and related revenues and expenses) are recorded on a settlement date basis, generally the fifth business day following the trade date.

Securities

Marketable securities owned by the Company are valued at market value. Net unrealized gains and losses are reflected in operations. Securities not readily marketable are valued at fair value as determined by management.

Underwriting Service

Underwriting fees or expenses are recognized when the underwriting is completed and the income or expense is reasonably determinable.

Cash

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Receivables From and Payables to Customers and Dealers

Amounts receivable from and payable to customers and dealers represent the contract amount of securities which have not been received or delivered by the settlement date.

Property and Depreciation

Property is recorded at cost. Depreciation is generally computed using accelerated methods over estimated useful lives of five to seven years.

Income Taxes

The Company has elected to be taxed under the provision of Subchapter S of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for income taxes because the Company does not incur federal or state income taxes. Instead, its earnings and losses are included in the stockholders' personal income tax returns and are taxed based on their personal tax strategies.

FIRST WINSTON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31, 2001:

| | |
|---|-----------------|
| Vehicle | \$ 39,345 |
| Leasehold improvements | 1,905 |
| Office furniture and equipment | <u>58,507</u> |
| | 99,757 |
| Less: accumulated depreciation and amortization | <u>95,573</u> |
| | <u>\$ 4,184</u> |

NOTE C: SECURED SHORT TERM BANK LOANS

At December 31, 2001, the Company had agreements with a bank to borrow funds of up to \$20,000,000 as needed on a secured basis to carry inventory and to cover fail transactions. Interest on these loans is charged at the LIBOR plus 2.5% (4.606250%) at December 31, 2001. At December 31, 2001, the loan balance of \$6,011,000 was fully collateralized by the Company's trading inventory, which had an aggregate market value of \$7,421,086. The agreements with the bank expire on June 30, 2002.

NOTE D: COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company enters into underwriting commitments and when-issued contracts. At December 31, 2001, the Company expected no losses from such open commitments.

FIRST WINSTON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E: MINIMUM NET CAPITAL REQUIREMENTS

The Company, as a registered securities broker-dealer, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). This rule prohibits a broker-dealer from engaging in any securities transaction when its aggregate indebtedness exceeds 15 times its net capital, as those terms are defined by the rule. At December 31, 2001, the Company had net capital of \$1,087,766, which exceeded its required net capital of \$100,000, and its net capital ratio was .01 to 1.

**Butler
& Burke** LLP

Certified Public
Accountants

**SUPPLEMENTARY INFORMATION REQUIRED
BY SEC RULE 17a-5**

Stockholders and Directors
First Winston Securities, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of First Winston Securities, Inc. for the year ended December 31, 2001, and have issued our report thereon dated January 15, 2002. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules on the following pages 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 of the Securities and Exchange Commission. Such information, as applicable, 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.

Butler & Burke LLP

Winston-Salem, North Carolina
January 15, 2002

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

BROKER OR DEALER First Winston Securities, Inc.

as of 12/31/01

COMPUTATION OF NET CAPITAL

| | | | | | |
|----|--|----|------------------|-------------|-------------|
| 1 | Total ownership equity (from Statement of Financial Condition - Item 1800) | \$ | <u>1,634,208</u> | | <u>3480</u> |
| 2 | Deduct Ownership equity not allowable for net capital | | | | <u>3490</u> |
| 3 | Total ownership equity qualified for net capital | | <u>1,634,208</u> | | <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 | \$ | <u>1,634,208</u> | | <u>3530</u> |
| 6 | Deductions and/or charges | | | | |
| | A. Total non-allowable assets from | | | | |
| | Statement of Financial Condition (Note B and C) | \$ | <u>76,284</u> | | <u>3540</u> |
| | 1. Additional charges for customers' and non-customers' security accounts | | | | <u>3550</u> |
| | 2. Additional charges for customers' and non-customers' commodity accounts | | | | <u>3560</u> |
| | B. Aged fail-to-deliver | | | | <u>3570</u> |
| | 1. Number of items | | | <u>3450</u> | |
| | C. Aged short security differences-less reserve of | \$ | <u>3460</u> | | <u>3580</u> |
| | number of items | | | <u>3470</u> | |
| | D. Secured demand note deficiency | | | | <u>3590</u> |
| | E. Commodity futures contracts and spot commodities proprietary capital charges | | | | <u>3600</u> |
| | F. Other deductions and/or charges | | | | <u>3610</u> |
| | G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) | | | | <u>3615</u> |
| | H. Total deductions and/or charges | | <u>76,284</u> | | <u>3620</u> |
| 7 | Other additions and/or allowable credits (List) | | | | <u>3630</u> |
| 8 | Net Capital before haircuts on securities positions | \$ | <u>1,557,924</u> | | <u>3640</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. Bankers' acceptances, certificates of deposit and commercial paper | | | | <u>3680</u> |
| | 2. U.S. and Canadian government obligations | | | | <u>3690</u> |
| | 3. State and municipal government obligations | | <u>470,158</u> | | <u>3700</u> |
| | 4. Corporate obligations | | | | <u>3710</u> |
| | 5. Stocks and warrants | | | | <u>3720</u> |
| | 6. Options | | | | <u>3730</u> |
| | 7. Arbitrage | | | | <u>3732</u> |
| | 8. Other securities | | | | <u>3734</u> |
| | D. Undue concentration | | | | <u>3650</u> |
| | E. Other (list) | | | | <u>3736</u> |
| 10 | NET Capital | \$ | <u>1,087,766</u> | | <u>3750</u> |

OMIT PENNI

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

BROKER OR DEALER **First Winston Securities, Inc.**

as of 12/31/01

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

| | | | |
|---|----|-----------|-----|
| 11. Minimum net capital required (6-2/3% of line 19) | \$ | 694 | 375 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 100,000 | 375 |
| 13. Net capital requirement (greater of line 11 or 12) | \$ | 100,000 | 376 |
| 14. Excess net capital (line 10 less 13) | \$ | 987,766 | 377 |
| 15. Excess net capital at 100% (line 10 less 10% of line 19) | \$ | 1,086,725 | 378 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | | |
|--|----|--------|-----|
| 16. Total A-1 liabilities from Statement of Financial Condition | \$ | 10,407 | 379 |
| 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 | 383 |
| 18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1 (c) (1) (vii)) | \$ | | 383 |
| 19. Total aggregate indebtedness | \$ | 10,407 | 384 |
| 20. Percentage of aggregate indebtedness to net capital (line 19 — by line 10) | % | 1.0 | 385 |
| 21. Percentage of Aggregate Indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 — by line 10 less Item 4880 page 11) | % | 1.0 | 385 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B N/A

| | | | |
|--|----|--|-----|
| 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 the net capital computation including both brokers or dealers and consolidated subsidiaries' debits | \$ | | 387 |
| 23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | | 388 |
| 24. Net capital requirement (greater of line 22 or 23) | \$ | | 376 |
| 25. Excess net capital (line 10 less 24) | \$ | | 391 |
| 26. Percentage of Net Capital to Aggregate Debits (line 10 — by line 17 page 8) | % | | 385 |
| 27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debits (line 10 less Item 4880 page 11 — by line 17 page 8) | % | | 385 |
| 28. Net capital in excess of: 5% of combined aggregate debit items or \$120,000 | \$ | | 392 |

OTHER RATIOS

Part C N/A

| | | | |
|--|---|--|-----|
| 29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) | % | | 386 |
| 30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital | % | | 385 |

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 2% 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 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.

FIRST WINSTON SECURITIES, INC.
AS OF 12/31/01

RECONCILIATION OF COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION WITH COMPANY'S COMPUTATION (included in
Part II of X-17A-5 as of December 31, 2001)

There is no material difference in net capital computed in this report and that reported by the
Company in Part II of Form X-17A-5 as of December 31, 2001.

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

BROKER OR DEALER First Winston Securities, Inc.

as of 12/31/01

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3
(See Rule 15c3-3, Exhibit A and Related Notes)**

CREDIT BALANCES

| | | | |
|--|------|------|--------|
| 1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3) | ↓ \$ | 4340 | |
| 2. Monies borrowed collateralized by securities carried for the accounts of customers (see Note B) | | 4350 | |
| 3. Monies payable against customers' securities loaned (see Note C) | | 4360 | |
| 4. Customers' securities failed to receive (see Note D) | | 4370 | |
| 5. Credit balances in firm accounts which are attributable to principal sales to customers | | 4380 | |
| 6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days | | 4390 | |
| 7. **Market value of short security count differences over 30 calendar days old | | 4400 | |
| 8. **Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days | ↓ | 4410 | |
| 9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days | | 4420 | |
| 10. Other (List) | | 4425 | |
| 11. TOTAL CREDITS | | | \$ 443 |

DEBIT BALANCES

| | | | |
|---|----|------|---------|
| 12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3 | \$ | 4440 | |
| 13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver | | 4450 | |
| 14. Failed to deliver of customers' securities not older than 30 calendar days | | 4460 | |
| 15. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts (See Note F) | | 4465 | |
| 16. Other (List) | ↓ | 4469 | |
| 17. **Aggregate debit items | | | \$ 447 |
| 18. **less 3% (for alternative method only — see Rule 15c3-1 (f) (5) (ii)) | | | () 447 |
| 19. **TOTAL 15c3-3 DEBITS | | | \$ 447 |

RESERVE COMPUTATION

| | | |
|--|------|------|
| 20. Excess of total debits over total credits (line 19 less line 11) | ↓ \$ | 448 |
| 21. Excess of total credits over total debits (line 11 less line 19) | | 449 |
| 22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits | | 450 |
| 23. Amount held on deposit in "Reserve Bank Account(s)", including value of qualified securities, at end of reporting period | | 451 |
| 24. Amount of deposit (or withdrawal) including \$ 4515 value of qualified securities | | 4520 |
| 25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ 4525 value of qualified securities | \$ | 4530 |
| 26. Date of deposit (MMDDYY) | | 4540 |

OMIT PENNIE

FREQUENCY OF COMPUTATION

27. Daily ↓ 4332 Weekly 4333 Monthly 4334

**In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

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

BROKER OR DEALER

First Winston Securites, Inc.

as of 12/31/01

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3 (continued)**

EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

| | | |
|---|----|-----|
| A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 | \$ | 455 |
| B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained | X | 456 |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm <u>4335</u> | | 457 |
| D. (k) (3)—Exempted by order of the Commission | | 458 |

Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and the number of items of:

| | | |
|--|-----|------|
| 1. Customers' fully paid securities 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, Notes A and B | \$ | 458 |
| A. Number of Items | | 458 |
| 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, Notes B, C and D | \$ | 458 |
| A. Number of Items | Y | 458 |
| OMIT PENNIE | | |
| 3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3 | Yes | 4584 |
| | No | 458 |

NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent within the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).

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

BROKER OR DEALER

First Winston Securities, Inc.

as of 12/31/01

SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION

CUSTOMERS' REGULATED COMMODITY FUTURES ACCOUNTS

SEGREGATION REQUIREMENTS

| | |
|---|-----------------|
| 1. Net ledger balance: | |
| A. Cash | \$ <u>7010</u> |
| B. Securities (at market) | <u>7020</u> |
| 2. Net unrealized profit (loss) in open futures contracts traded on a contract market | <u>7030</u> |
| 3. Exchange traded options: | |
| A. Add: Market Value of open option contracts purchased on a contract market | <u>7032</u> |
| B. Deduct: Market Value of open option contracts granted (sold) on a contract market | (<u>7033</u>) |
| 4. Net equity (deficit) (total of 1, 2 and 3) | <u>7040</u> |
| 5. Add accounts liquidating to a deficit and accounts with debit balances with no open trades | <u>7050</u> |
| 6. Amount required to be segregated (total of 4 and 5) | <u>7060</u> |

FUNDS ON DEPOSIT IN SEGREGATION

| | |
|---|----------------|
| 7. Deposited in segregated funds bank accounts: | |
| A. Cash | \$ <u>7070</u> |
| B. Securities representing investments of customers' funds (at market) | <u>7080</u> |
| C. Securities held for particular customers or option customers in lieu of cash (at market) | <u>7090</u> |
| 8. Margins on deposit with clearing organizations of contract markets: | |
| A. Cash | <u>7100</u> |
| B. Securities representing investments of customers' funds (at market) | <u>7110</u> |
| C. Securities held for particular customers or option customers in lieu of cash (at market) | <u>7120</u> |
| 9. Settlement due from (to) clearing organizations of contract markets | <u>7130</u> |
| 10. Exchange traded options: | |
| A. Add: Unrealized receivables for option contracts purchased on contract markets | <u>7132</u> |
| B. Deduct: Unrealized obligations for option contracts granted (sold) on contract markets | <u>7133</u> |
| 11. Net equities with other FCMs | <u>7140</u> |
| 12. Segregated funds on hand: | |
| A. Cash | <u>7150</u> |
| B. Securities representing investments of customers' funds (at market) | <u>7160</u> |
| C. Securities held for particular customers in lieu of cash (at market) | <u>7170</u> |
| 13. Total amount in segregation (total of 7 through 12) | \$ <u>7180</u> |
| 14. Excess (insufficiency) funds in segregation (13 minus 6) | \$ <u>7190</u> |

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

BROKER OR DEALER

First Winston Securities, Inc.

as of 12/31/01

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 | N/A | 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) | |
|---|-----|-------------------------------|-------------------------------------|--|---|--------------------------------------|------|
| Y | | 4600 | 4601 | 4602 \$ | 4603 | 4604 | 4605 |
| Y | | 4610 | 4611 | 4612 | 4613 | 4614 | 4615 |
| Y | | 4620 | 4621 | 4622 | 4623 | 4624 | 4625 |
| Y | | 4630 | 4631 | 4632 | 4633 | 4634 | 4635 |
| Y | | 4640 | 4641 | 4642 | 4643 | 4644 | 4645 |
| Y | | 4650 | 4651 | 4652 | 4653 | 4654 | 4655 |
| Y | | 4660 | 4661 | 4662 | 4663 | 4664 | 4665 |
| Y | | 4670 | 4671 | 4672 | 4673 | 4674 | 4675 |
| Y | | 4680 | 4681 | 4682 | 4683 | 4684 | 4685 |
| Y | | 4690 | 4691 | 4692 | 4693 | 4694 | 4695 |
| | | | | TOTAL \$ | 4699* | | |

OMIT PENNIES

*To agree with the total on Recap (Item No. 4880)

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 |

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

BROKER OR DEALER First Winston Securities, Inc.

as of 12/31/01

N/A

FINANCIAL AND OPERATIONAL DATA

| | | | | |
|--|---------------------|-------------------------------|---------------------|-------------------------------|
| 1. Month end total number of stock record breaks unresolved over three business days | <u>Valuation</u> | | <u>Number</u> | |
| A. breaks long | \$ | 4890 | | 4900 |
| B. breaks short | " \$ | 4910 | | 4920 |
| 2. Is the firm in compliance with Rule 17a-13 regarding periodic count and verification of securities positions and locations at least once in each calendar quarter? (Check one) | Yes | <input type="checkbox"/> 4930 | No | <input type="checkbox"/> 4940 |
| A) If response is negative attach explanation of steps being taken to comply with Rule 17a-13 | | | | |
| 3. Personnel employed at end of reporting period | | | | |
| A. Income producing personnel | | | | 4950 |
| B. Non-income producing personnel (all other) | | | | 4960 |
| C. Total | | | | 4970 |
| 4. Actual number of tickets executed during current month of reporting period | | | | 4980 |
| 5. Number of corrected customer confirmations mailed after settlement date | | | | 4990 |
| 6. Money differences | <u>No. of Items</u> | <u>Debit (Short Value)</u> | <u>No. of Items</u> | <u>Credit (Long Value)</u> |
| 7. Security suspense accounts | 5000 | \$ 5010 | 5020 | " \$ 5030 |
| 8. Security difference accounts | 5040 | \$ 5050 | 5060 | \$ 5070 |
| 9. Commodity suspense accounts | 5080 | \$ 5090 | 5100 | \$ 5110 |
| 10. Open transactions with correspondents, other brokers, clearing organizations, depositories and interoffice and intercompany accounts which could result in a charge-unresolved amounts over 30 calendar days | 5120 | \$ 5130 | 5140 | \$ 5150 |
| 11. Bank account reconciliations-unresolved amounts over 30 calendar days | 5160 | \$ 5170 | 5180 | \$ 5190 |
| 12. Open transfers over 40 calendar days, not confirmed | 5200 | " \$ 5210 | " 5220 | \$ 5230 |
| 13. Transactions in reorganization accounts-over 60 calendar days | 5240 | \$ 5250 | 5260 | \$ 5270 |
| 14. Total | 5280 | \$ 5290 | 5300 | " \$ 5310 |
| | 5320 | \$ 5330 | 5340 | \$ 5350 |
| 15. Failed to deliver 5 business days or longer (21 business days or longer in the case of Municipal Securities) | <u>No. of Items</u> | <u>Ledger Amount</u> | <u>Market Value</u> | |
| 16. Failed to receive 5 business days or longer (21 business days or longer in the case of Municipal Securities) | 5360 | \$ 5361 | \$ 5362 | |
| 17. Security concentrations (See instructions in Part II) | | | | |
| A. Proprietary positions | | | | \$ 5370 |
| B. Customers' accounts under Rule 15c3-3 | | | | \$ 5374 |
| 18. Total of personal capital borrowings due within six months | | | | \$ 5378 |
| 19. Maximum haircuts on underwriting commitments during the period | | | | " \$ 5380 |
| 20. Planned capital expenditures for business expansion during next six months | | | | \$ 5382 |
| 21. Liabilities of other individuals or organizations guaranteed by respondent | | | | \$ 5384 |
| 22. Lease and rentals payable within one year | | | | \$ 5386 |
| 23. Aggregate lease and rental commitments payable for entire term of the lease | | | | |
| A. Gross | | | | \$ 5388 |
| B. Net | | | | \$ 5390 |

OMIT PENNIES

**Butler
& Burke** LLP

Certified Public
Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

Stockholders and Directors
First Winston Securities, Inc.
Winston-Salem, North Carolina

In planning and performing our audit of the financial statements of First Winston Securities, Inc. (the Company), for the year ended December 31, 2001, 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 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 tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
3. 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
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

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 judgments 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 SEC'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 accordance 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, errors or irregularities 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. 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 errors or irregularities 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 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, 2001, to meet the Commission's objectives.

This report is intended solely for the information and use of management, the SEC, The New York Stock Exchange 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 should not be used for any other purpose.

Butler & Burke LLP

Winston-Salem, North Carolina
January 15, 2002