



02006862

UNITED STATES
EXCHANGE COMMISSION
Washington, D.C. 20549

UF 3-11-02

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
8-48745

RECEIVED
MAR 07 2002
143
SECTION

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:

Westwood Capital, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

489 Fifth Avenue, 29th Floor

(No. and Street)

New York

New York

10017

(City)

(State)

(Zip Code)

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

Mark Sunshine, Managing Director

(212) 867-3200

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Smart and Associates, LLP

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

92 W. Lancaster Avenue

Devon

PA

19333

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

PROCESSED

MAR 18 2002

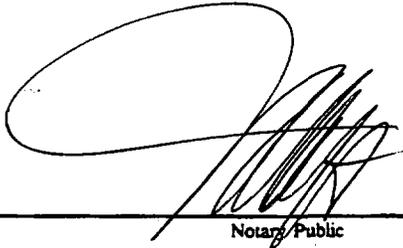
THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

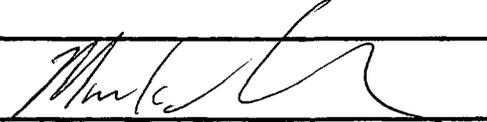
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, Mark Sunshine, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Westwood Capital, LLC, as of December 31,, 12 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:



Notary Public



Signature

Managing Director

Title

MITCHELL A. STEN
Notary Public, State of New York
No. 025762207
Qualified in Suffolk County
Commission Expires July 10, 2003



WESTWOOD CAPITAL, LLC
(A Wholly-Owned Subsidiary of
Westwood Capital Holdings, LLC)

Financial Statements and Independent Auditors' Report

December 31, 2001

WESTWOOD CAPITAL, LLC
(A Wholly-Owned Subsidiary of Westwood Capital Holdings, LLC)

Table of Contents
December 31, 2001

		<u>Pages</u>
This report* contains (check all applicable boxes):		
	Independent Auditors' Report	1
(x)	(a) Facing Page	
(x)	(b) Statement of Financial Condition	2
(x)	(c) Statement of Operations	3
(x)	(d) Statement of Changes in Members' Equity	4
(x)	(e) Statement of Cash Flows	5
()	(f) Statements of Changes in Liabilities Subordinated to Claims Of General Creditors	
	Notes to Financial Statements	6-9
(x)	(g) Computation of Net Capital and Aggregate Indebtedness Pursuant to Rule 15c3-1 Under the Securities and Exchange Act of 1934	10-11
(x)	(h) Computation for Determination of Reserve Requirements For Brokers and Dealers Pursuant to Rule 15c3-3 Under the Securities and Exchange Act of 1934	12
()	(i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to 15c3-3 Under the Securities and Exchange Act of 1934	
(x)	(j) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Rule 15c3-3	11
()	(k) A Reconciliation between the Audited and Unaudited Statements of Financial Condition with Respect to Methods of Consolidation	
(x)	(l) An 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	
(x)	(o) Independent Auditors' Report on Internal Accounting Control Required by SEC Rule 17a-5	13-14
()	(p) Schedule of Segregation Requirements and Funds in Segregation-Customers' Regulated Commodity Future Account Pursuant to Rule 171-5	

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



S M A R T

AND ASSOCIATES, LLP

Independent Auditors' Report

To the Members of
Westwood Capital, LLC
(A Wholly-Owned Subsidiary of Westwood Capital Holdings, LLC)

We have audited the accompanying statement of financial condition of Westwood Capital, LLC (a wholly-owned subsidiary of Westwood Capital Holdings, LLC) as of December 31, 2001, and the related statements of operations, changes in members' equity and cash flows, for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities and 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 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 Westwood Capital, LLC as of December 31, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II 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 and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

February 21, 2002

Smart & Associates, LLP

WESTWOOD CAPITAL, LLC
(A wholly-owned subsidiary of Westwood Capital Holdings, LLC)
Statement of Financial Condition
December 31, 2001

ASSETS

Cash and cash equivalents	\$ 183,603
Pooled cash account	25,000
Restricted cash	43,940
Receivables from clients	182,651
Note receivable from client	16,000
Property and equipment, net	<u>21,063</u>
Total assets	<u><u>\$ 472,257</u></u>

LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued expenses	\$ 130,815
Due to affiliate	<u>26,419</u>
Total liabilities	157,234
Members' equity	<u>315,023</u>
Total liabilities and members' equity	<u><u>\$ 472,257</u></u>

The accompanying notes are an integral part of these financial statements.

WESTWOOD CAPITAL, LLC
(A wholly-owned subsidiary of Westwood Capital Holdings, LLC)
Statement of Operations
For the year ended December 31, 2001

Revenues:	
Investment banking fees	\$ 1,497,310
Advisory fees from affiliate	300,000
Interest income	<u>992</u>
Total revenues	<u>1,798,302</u>
Expenses:	
Payroll, benefits and other compensation	1,282,053
Professional fees	355,409
Office supplies and expenses	57,313
Rent	161,880
Depreciation	18,830
Telephone and postage	56,762
Business taxes	30,290
Other expenses	<u>145,664</u>
Total expenses	<u>2,108,201</u>
Net loss	<u><u>\$ (309,899)</u></u>

The accompanying notes are an integral part of these financial statements.

WESTWOOD CAPITAL, LLC
(A wholly-owned subsidiary of Westwood Capital Holdings, LLC)
Statement of Changes in Members' Equity
For the year ended December 31, 2001

Balance at January 1, 2001	\$ 677,677
Net loss	(309,899)
Contributions from members	75,000
Distributions to members	<u>(127,755)</u>
Balance at December 31, 2001	<u><u>\$ 315,023</u></u>

The accompanying notes are an integral part of these financial statements.

WESTWOOD CAPITAL, LLC
(A wholly-owned subsidiary of Westwood Capital Holdings, LLC)

Statement of Cash Flows
For the year ended December 31, 2001

Cash flows from operating activities:	
Net loss	\$ (309,899)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	18,830
Changes in operating assets and liabilities:	
Decrease in:	
Receivables from clients	16,202
Due from employees	145,000
Note receivable from client	259,000
Increase (decrease) in:	
Accounts payable and accrued expenses	(38,122)
Due to affiliate	26,419
	<hr/>
Net cash provided by operating activities	117,430
	<hr/>
Cash flows from investing activities:	
Purchase of property and equipment	(15,489)
Decrease in pooled cash account	100,000
Increase in restricted cash	(43,940)
	<hr/>
Net cash provided by investing activities	40,571
	<hr/>
Cash flows from financing activities:	
Contributions from members	75,000
Distributions to members	(127,755)
	<hr/>
Net cash used in financing activities	(52,755)
	<hr/>
Net increase in cash and cash equivalents	105,246
Cash and cash equivalents at beginning of year	78,357
	<hr/>
Cash and cash equivalents at end of year	\$ 183,603
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

WESTWOOD CAPITAL, LLC
(A Wholly-Owned Subsidiary of Westwood Capital Holdings, LLC)
Notes to Financial Statements
December 31, 2001

1. Nature of Activities and Summary of Significant Accounting Policies:

This summary of significant accounting policies of Westwood Capital, LLC (the "Company") is presented to assist in the understanding of the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Activities:

The Company was incorporated as a limited liability company on May 19, 1995. The Company's broker-dealer registration, pursuant to Section 15(b) of the Securities Exchange Act of 1934, became effective on November 15, 1996 along with its membership in the National Association of Securities Dealers, Inc.

The Company engages in investment banking activities, specializing in the private placement of securitized debt issues. Investment banking activities also include financial advisory services and mergers and acquisition advisory services.

The Company is wholly-owned subsidiary of Westwood Capital Holdings, LLC, (the "Parent").

Revenue Recognition:

Investment banking fee income is generally recognized when the related transaction closes.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

WESTWOOD CAPITAL, LLC
(A Wholly-Owned Subsidiary of Westwood Capital Holdings, LLC)

Notes to Financial Statements, continued
December 31, 2001

1. Nature of Activities and Summary of Significant Accounting Policies, continued:

Property and Equipment:

Property and equipment are stated at cost. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in operations. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which ranges from three to seven years.

Income Taxes:

The Company, as limited liability company, is not required to prepare a provision for federal and state income taxes in the accompanying financial statements as each member is responsible for reporting income or loss, based on their respective share of income and expenses, as reported for income tax purposes.

2. Receivables from Clients:

The receivables from clients of \$182,651 represents receivables for fees earned and reimbursable client expenses of \$158,413 and \$24,238, respectively. The reimbursable client expenses were unbilled at December 31, 2001.

3. Note Receivable from Client:

The Company had a \$16,000 note receivable from a client resulting from services performed which bears interest at 10%. Principal and interest are due on demand.

4. Property and Equipment:

Property and equipment consisted of the following:

Furniture and fixtures	\$ 36,386
Office and computer equipment	98,867
	<hr/>
	135,253
Less accumulated depreciation	(114,190)
	<hr/>
	\$ 21,063
	<hr/>

5. Members' Equity:

Pursuant to the Limited Liability Company Operating Agreement, income, losses and cash distributions are allocated to the members based on their ownership percentages.

WESTWOOD CAPITAL, LLC
(A Wholly-Owned Subsidiary of Westwood Capital Holdings, LLC)

Notes to Financial Statements, continued
December 31, 2001

6. Net Capital Requirements and Revisions to Financial Statements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital 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. At December 31, 2001, the Company had net capital of \$26,369, which was \$15,886 in excess of its required net capital of \$10,483. The Company's ratio of aggregate indebtedness to net capital was 5.96 to 1.

7. Related Party Transactions:

Pooled Cash Account:

The Company has a pooled cash account with its Parent which is used to generate better investment returns for excess cash.

Note Receivable from Member:

The Company has a \$86,000 demand note receivable from a member which was recorded as a reduction of members' equity in 2000.

Other Transactions with Affiliates:

On July 1, 2001, the members of the Parent company and an outside investor, incorporated a new entity called Westwood Capital Asia ("WCA") to handle investment banking activities within Asia and other foreign markets. Prior to the incorporation date the Company serviced Asian clients and recognized all associated revenues and expenses. Asian client revenues approximated \$510,000 for the six months ended June 30, 2001 and are included in the accompanying statement of operations. Subsequent to June 30, 2001, WCA will service the Asian clients and recognize associated revenues and expenses.

Certain expenses previously paid by the Company, primarily rent expense which approximated \$20,000 for the six months ended June 30, 2001, are now recognized by WCA.

Commencing July 1, 2001, the Company receives a monthly fee of \$50,000, which totaled \$300,000 for 2001, from WCA for investment banking services provided to WCA.

At December 31, 2001, \$26,419 was due to WCA.

WESTWOOD CAPITAL, LLC
(A Wholly-Owned Subsidiary of Westwood Capital Holdings, LLC)
Notes to Financial Statements, continued
December 31, 2001

8. Commitments:

The Company conducts operations in office space leased under a lease agreement which requires monthly payments of \$10,985 plus utilities. The lease expires December 31, 2003. A standby letter of credit for approximately \$44,000 is held as collateral for the lease. Future minimum annual lease payments as of December 31, 2001 were \$131,820 in both 2002 and 2003.

9. Major Clients:

In 2001, four clients represented approximately 67% of the Company's revenues.

10. Concentration of Credit Risk:

The Company provides credit, in the normal course of business, to its clients. These clients are not concentrated in any particular industry or specific geographic region. The Company performs ongoing credit evaluations of the clients and maintains allowances for potential credit losses which, when realized, have been within the range of management's expectations. The Company generally does not require collateral with regard to extending credit to clients. At December 31, 2001, two customers accounted for approximately 87% of receivables from clients.

The Company maintains its cash accounts primarily with a Bank located in New York and in a money market mutual fund. The total cash balances are insured by the FDIC up to \$100,000 per bank. The Company has cash balances on deposit with one New York bank at December 31, 2001, that exceeded the balance insured by the FDIC by approximately \$138,000.

11. Retirement Plan:

The Company has a profit sharing plan covering all eligible employees. Contributions are determined at management's discretion and are allocated based upon a matching formula and a non-elective contribution formula for all eligible participants. Contribution expense for 2001 was \$16,031.

SCHEDULE I

WESTWOOD CAPITAL, LLC
(A wholly-owned subsidiary of Westwood Capital Holdings, LLC)
 Computation of Net Capital Under Rule 15c3-1 of the
 Securities and Exchange Commission
 As of December 31, 2001

Net capital		
Total members' equity	\$	315,023
Deduct members' equity not allowable for net capital		-
		<hr/>
Total members' equity qualified for net capital		315,023
Add:		
Subordinated borrowings allowable in computation of net capital		-
Other (deductions) or allowable credits-deferred income taxes payable		-
		<hr/>
Total capital and allowable subordinated borrowings		315,023
Deductions and/or charges		
Nonallowable assets:		
Pooled cash	\$	25,000
Restricted cash		43,940
Receivables from clients		182,651
Note receivable		16,000
Property and equipment, net		21,063
		<hr/>
		288,654
Additional charges for customers' and noncustomers' security accounts		-
Additional charges for customers' and noncustomers' commodity accounts		-
Aged fails-to-deliver		-
Aged short security differences		-
Secured demand note deficiency		-
Commodity futures contracts and spot commodities/proprietary capital charges		-
Other deductions and/or charges		-
		<hr/>
		288,654
Net capital before haircuts on securities positions (tentative net capital)		26,369
Haircuts on securities:		
Contractual securities commitments		-
Securities collateralizing secured demand notes		-
Trading and investment securities		-
Bankers' acceptances, certificates of deposit, and commercial paper		-
U.S. and Canadian government obligations		-
State and municipal government obligations		-
Corporate obligations		-
Stocks and warrants		-
Options		-
Undue concentrations		-
Money market fund		-
		<hr/>
		-
Net capital	\$	<u>26,369</u>

WESTWOOD CAPITAL, LLC
(A wholly-owned subsidiary of Westwood Capital Holdings, LLC)
 Computation of Net Capital Under Rule 15c3-1 of the
 Securities and Exchange Commission, continued
 As of December 31, 2001

Aggregate indebtedness	
Items included in statement of financial condition:	
Accounts payable and accrued expenses	\$ 130,815
Due to affiliate	26,419
Items not included in statement of financial condition:	
Market value of securities borrowed for which no equivalent value is paid or credited	-
Other unrecorded amounts	-
Total aggregate indebtedness	<u>\$ 157,234</u>
Computation of basic net capital requirement	
Minimum net capital required	<u>\$ 10,483</u>
Excess net capital at 1,500 percent	<u>\$ 15,886</u>
Ratio: Aggregate indebtedness to net capital	<u>5.96 to 1</u>
Reconciliation with company's computation (included in Part II of Form X-17A-5 as of December 31, 2001)	
Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 95,144
Allowable assets erroneously reported as nonallowable:	
Nonpledged cash	3,305
Difference due to offsetting liability against nonallowable assets	(31,939)
Audit adjustments	
Unrecorded liabilities	(36,531)
Other audit adjustments	<u>(3,610)</u>
Net capital per above	<u>\$ 26,369</u>

WESTWOOD CAPITAL, LLC **SCHEDULE II**
(A Wholly-Owned Subsidiary of Westwood Capital Holdings, LLC)
Computation for Determination of Reserve Requirements
For Brokers and Dealers Pursuant to Rule 15c3-3
Under the Securities Exchange Act of 1934
December 31, 2001

EXEMPTION UNDER SECTION (k)(2)(i) IS CLAIMED:

Westwood Capital, LLC is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, because the Company does not carry security accounts for customers or perform custodian functions relating to customer securities.



S M A R T

AND ASSOCIATES, LLP

**Independent Auditors' Report on Internal Accounting
Control Required by SEC Rule 17a-5**

To the Members of
Westwood Capital, LLC
(A Wholly-Owned Subsidiary of Westwood Capital Holdings, LLC)

In planning and performing our audit of the financial statements and supplemental schedules of Westwood Capital, LLC (the "Company") for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the 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 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 and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining 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. Two of the objectives of internal control and practices and procedures are to provide management with reasonable, but not absolute, assurance that the 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 the 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 or the practices and procedures referred to above, errors 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. Our consideration of internal control would not necessarily disclose all matters in internal control 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 components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control 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 SEC's objectives.

The report is intended solely for the information and use of the members of management, the SEC, the National Association of Securities Dealers 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.

February 21, 2002

Smart & Associates, LLP