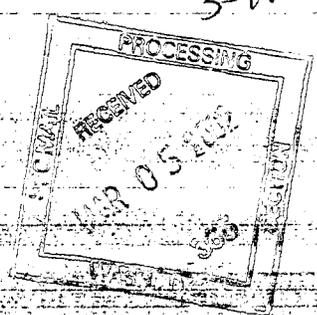


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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
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47398

**ANNUAL AUDITED REPORT  
FORM X-17A-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 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER

BGB SECURITIES, INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

1100 N. Glebe Road, Suite 1040

(No. and Street)

Arlington, VA

22201

(City)

(State)

(Zip Code)

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

William S. Berno

703-528-7788

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Bish & Haffey, P.C.

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

50 South Pickett Street, Suite 200 Alexandria, VA 22304

(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 12 2002

FOR OFFICIAL USE ONLY  
THOMSON FINANCIAL

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

3/12/02  
55

OATH OR AFFIRMATION

I, WILLIAM S. BERNO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BGB 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

City/County of ARLINGTON  
Commonwealth/State of VIRGINIA  
I hereby certify that the attached document is a true and exact copy of a FORM X-17A-5 presented before me this 25th day of FEB 19 2002  
\_\_\_\_\_, Notary Public  
My commission expires JULY 31 19 2005

Notary Public

*William S. Berno*

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.

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

BERNO, GAMBAL & BARBEE, INC.  
REPORT AND FINANCIAL STATEMENTS  
DECEMBER 31, 2001

**BISH & HAFFEY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS  
50 SOUTH PICKETT STREET  
SUITE 200  
ALEXANDRIA, VA 22304



The CPA Never Underestimates The Value.™

**BISH & HAFFEY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS  
50 SOUTH PICKETT STREET  
SUITE 200  
ALEXANDRIA, VA 22304  
(703) 751-3800

**Independent Auditor's Report**

January 17, 2002

Board of Directors  
Berno, Gambal & Barbee, Inc.

We have audited the accompanying consolidating statement of financial condition of Berno, Gambal & Barbee, Inc. and affiliates as of December 31, 2001, and the related consolidating statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These consolidating financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of Berno, Gambal & Barbee, Inc. and affiliates at December 31, 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Page Two  
January 17, 2002

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the 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.

*Blair & Haffey, PC*

BERNO, GAMBAL & BARBEE, INC.

CONSOLIDATING STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2001

ASSETS

	<u>Berno, Gambal &amp; Barbee, Inc.</u>	<u>BGB Securities, Inc.</u>	<u>Eliminating Entries</u>	<u>Total</u>
<b>Current assets</b>				
Cash	\$ 41 936	\$ 147 605	( 1 )	\$ 189 540
Investments (Note10)	355 582	50 766	\$	406 348
Receivable from clearing organization (Note 3)		19 182		19 182
Receivable from Parent Company		125 003	(125 003 )	
Other receivables (Note 9)	12 441			12 441
Prepaid expenses	11 882			11 882
<b>Total current assets</b>	<u>421 841</u>	<u>342 556</u>	<u>(125 004 )</u>	<u>639 393</u>
<b>Non-current assets</b>				
Investment in Subsidiary	340 470		(340 470 )	
Investments (Note10)	98 773	25 238		124 011
Furniture and equipment, net of accumulated depreciation of \$34,323 (Note 2)				
Leasehold improvements, net of amortization of \$1,242 (Note 2)	10 550			10 550
Software, net of amortization of \$38,097 (Note 2)	342			342
Organization costs, net of accumulated amortization of \$1,675 and \$135 (Note 2)		154		154
Deposits	3 536			3 536
<b>Total non-current assets</b>	<u>453 671</u>	<u>25 392</u>	<u>(340 470 )</u>	<u>138 593</u>
<b>Total assets</b>	<u>\$ 875 512</u>	<u>\$ 367 948</u>	<u>\$ (465 474 )</u>	<u>\$ 777 986</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

<b>Current liabilities</b>				
Accounts payable and accrued expenses	\$ 196 990		\$	\$ 196 990
Payable to Subsidiary	125 003		(125 003 )	
Income taxes payable	2 404			2 404
Deferred income tax liability (Note 6)	10 584	419		11 003
Payable to contractor (Note 8)		\$ 25 391		25 391
<b>Total current liabilities</b>	<u>334 981</u>	<u>25 810</u>	<u>(125 003 )</u>	<u>235 788</u>
<b>Stockholders' equity</b>				
Common stock, no par value; 3,000 and 1,500 shares authorized, 2,100 and 100 shares issued and outstanding, respectively	191 836			191 836
Additional paid - in capital	12 128	280 174	(280 174 )	12 128
Retained earnings	294 495	60 297	(60 297 )	294 495
Accumulated other comprehensive income (Note 5)	42,072	1,667		43,739
<b>Total stockholders' equity</b>	<u>540 531</u>	<u>342 138</u>	<u>(340 471 )</u>	<u>542 198</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 875 512</u>	<u>\$ 367 948</u>	<u>\$ (465 474 )</u>	<u>\$ 777 986</u>

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

BGB SECURITIES, INC.  
REPORT ON INTERNAL CONTROL STRUCTURE  
REQUIRED BY SEC RULE 17a-5  
FOR A BROKER-DEALER CLAIMING AN EXEMPTION  
FROM SEC RULE 15c3-3  
FOR THE YEARS ENDED DECEMBER 31, 2001

**BISH & HAFFEY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS  
50 SOUTH PICKETT STREET  
SUITE 200  
ALEXANDRIA, VA 22304



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# BISH & HAFFEY

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

50 SOUTH PICKETT STREET

SUITE 200

ALEXANDRIA, VA 22304

(703) 751-3800

## REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

January 17, 2002

Board of Directors  
BGB Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of BGB Securities, Inc. (the "Subsidiary"), as part of the consolidated financial statements of Berno, Gambal and Barbee, 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 consolidated financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g) of the Securities Exchange Commission (the "Commission"), we have made a study of the practices and procedures followed by the Subsidiary 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 (or aggregate debits) 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 Subsidiary 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 Subsidiary does not carry security accounts for customers or perform custodial functions relating to customer securities.



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January 17, 2002

The management of the Subsidiary 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 Commission'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 Subsidiary has responsibility are safeguarded against loss from unauthorized use or disposition and 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 Commission 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.

Page Three  
January 17, 2002

Based on this understanding and on our study, we believe that the Subsidiary's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, 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.

*Bies & Haffey, PC*

## BGB SECURITIES, INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF THE SECURITIES  
AND EXCHANGE COMMISSION

DECEMBER 31, 2001

Beginning ownership equity	\$ 304 453
Net income	36 018
Additions to Capital	
Ownership equity December 31	<u>340 471</u>
Deductions and other charges:	
Nonallowable assets	
Fees receivable from parent company	125 003
Furniture and equipment, net	
Leasehold improvements, net	
Software, net	
Organization costs, net	154
Deferred tax benefit	
Deposits	
Prepaid expenses	
Total deductions and other charges	<u>125 157</u>
Net capital before haircuts on securities positions	215 314
Haircuts on securities	
Corporate bonds	3 786
US Treasury notes	254
Total haircuts	<u>4 040</u>
Net capital	<u>\$ 211 274</u>
Aggregate indebtedness	
Payable to contractor	\$ 25 391
Accounts payable and accrued expenses	
Income taxes payable	
Total aggregate indebtedness	<u>\$ 25 391</u>
Computation of basic net capital requirement	
Minimum net capital required	<u>\$ 50 000</u>
Excess net capital	<u>\$ 161 274</u>
Excess net capital at 1,000%	<u>\$ 208 735</u>
Ratio of aggregate indebtedness to net capital	<u>12%</u>
Reconciliation to Computation included in Part II of Form X-17A-5 as of December 31	
Net capital, as reported in Company's Part II (unaudited)	
FOCUS report	\$ 214 852
Net audit adjustments	<u>(3 578 )</u>
Net capital per above	<u>\$ 211 274</u>