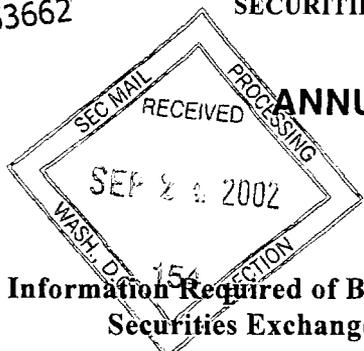




AMJ
10/21/02

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

TC 10/10
OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2004
Estimated average burden
hours per response..... 12.00



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

SEC FILE NUMBER
8-18390

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 07/30/01 AND ENDING 07/26/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Georgetown Securities Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

225 Reinekers Lane, Suite 270

(No. and Street)

Alexandria,

VA

22314

(City)

(State)

(Zip Code)

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

Robert T. Mann

703-519-7700

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Dembo, Jones, Healy, Pennington, & Marshall, P.C.

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

6010 Executive Boulevard, Suite 900, Rockville,

MD

20852

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

P OCT 25 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)

MP 1822

OATH OR AFFIRMATION

I, Robert T. Mann, 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 Georgetown Securities, Inc., as of July 26, 20 02, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Robert T. Mann
Signature

President
Title

Marlynn J. Noyes
Notary Public
My Commission expires: 6-30-05

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- X (o) Footnotes
- **For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).
- X (p) Statement of Cash Flows

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Certified Public Accountants and Consultants

Report of Independent Auditors

Board of Directors
First Georgetown Securities, Inc.

We have audited the accompanying statement of financial condition of **First Georgetown Securities, Inc.** as of **July 26, 2002** and the related statements of income, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Georgetown Securities, Inc.** as of **July 26, 2002** 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 on Pages 3, 4, 6, and 7 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 and 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.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Rockville, Maryland
September 9, 2002

**FORM
X-17A-5**

FOCUS REPORT

OMB No. 3235-0123
(5-21-87)

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

3/85

(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

SEC FILE NO.

8-18390 14

FIRM ID. NO.

5871 15

First Georgetown Securities, Inc. 13

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

FOR PERIOD BEGINNING (MM/DD/YY)

225 Reinekers Lane 20

7/30/01 24

(No. and Street)

AND ENDING (MM/DD/YY)

Alexandria 21 VA 22 22314 23

7/26/02 25

(City)

(State)

(Zip Code)

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

(Area Code)—Telephone No.

Robert T. Mann 30

(703) 519-7700 31

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

OFFICIAL USE

- | | | | |
|--|----|--|----|
| | 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 20th day of September, 2002

Manual signatures of

1) Robert T. Mann
Principal Executive Officer or Managing Partner

2) _____
Principal Financial Officer or Partner

3) _____
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. 78f(a))

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

BROKER OR DEALER

First Georgetown Securities

N 3

100

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) 7/26/02

SEC FILE NO. 8-18390

Consolidated

Unconsolidated

99

98

198

199

ASSETS

Allowable

Non-Allowable

Total

1. Cash	\$	3,129	200		\$	3,129	750
2. Receivables from brokers or dealers:							
A. Clearance account	▼	251,128	295				
B. Other		0	300	\$	1,851	550	252,979
3. Receivables from non-customers		0	355		9,159	600	9,159
4. Securities and spot commodities owned, at market value:							
A. Exempted securities		0	418				
B. Debt securities		0	419				
C. Options		0	420				
D. Other securities		0	424				
E. Spot commodities	▼	0	430				0
5. Securities and/or other investments not readily marketable:							
A. At cost	▼	\$ 0	130				
B. At estimated fair value		0	440		0	610	0
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:							
A. Exempted securities	\$	0	150				
B. Other securities	\$	0	160				
7. Secured demand notes:		0	470		0	640	0
market value of collateral:							
A. Exempted securities	\$	0	170				
B. Other securities	\$	0	180				
8. Memberships in exchanges:							
A. Owned, at market	\$	0	190				
B. Owned, at cost					0	650	
C. Contributed for use of the company, at market value	▼				0	660	0
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		0	480		0	670	0
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		0	490		20,556	680	20,556
11. Other assets		0	535		10,661	735	10,661
12. TOTAL ASSETS	▼	\$ 254,257	540	\$	42,227	740	\$ 296,484

OMIT PENNIES

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

BROKER OR DEALER

First Georgetown Securities, Inc.

as of 7/26/02

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING
AND CERTAIN OTHER BROKERS OR DEALERS**

LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable	\$ 0 1045	\$ 0 1255	\$ 0 1470
14. Payable to brokers or dealers:			
A. Clearance account	0 1114	0 1315	0 1560
B. Other	0 1115	0 1305	0 1540
15. Payable to non-customers	0 1155	0 1355	0 1610
16. Securities sold not yet purchased, at market value		0 1360	0 1620
17. Accounts payable, accrued liabilities, expenses and other	58,536 1205	0 1385	58,536 1685
18. Notes and mortgages payable:			
A. Unsecured	0 1210		0 1690
B. Secured	0 1211	0 1390	0 1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		0 1400	0 1710
1. from outsiders \$ 0 970			
2. Includes equity subordination (15c3-1 (d)) of \$ 0 980			
B. Securities borrowings, at market value: . . .		0 1410	0 1720
from outsiders \$ 0 990			
C. Pursuant to secured demand note collateral agreements:		0 1420	0 1730
1. from outsiders: \$ 0 1000			
2. Includes equity subordination (15c3-1 (d)) of \$ 0 1010			
D. Exchange memberships contributed for use of company, at market value		0 1430	0 1740
E. Accounts and other borrowings not qualified for net capital purposes	0 1220	0 1440	0 1750
20. TOTAL LIABILITIES	\$ 58,536 1230	\$ 0 1450	\$ 58,536 1760

Ownership Equity

21. Sole proprietorship		\$ 0 1770
22. Partnership (limited partners	\$ 1020	\$ 0 1780
23. Corporation:		
A. Preferred stock		0 1791
B. Common stock		250 1792
C. Additional paid-in capital		546,667 1793
D. Retained earnings		(308,969) 1794
E. Total		237,948 1795
F. Less capital stock in treasury		0 1796
24. TOTAL OWNERSHIP EQUITY		\$ 237,948 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY		\$ 296,484 1810

OMIT PENNIES

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER **First Georgetown Securities**

as of 7/26/02

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	237,948		3480
2. Deduct ownership equity not allowable for Net Capital	▼	(0)		3490
3. Total ownership equity qualified for Net Capital		237,948		3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		0		3520
B. Other (deductions) or allowable credits (List)		0		3525
5. Total capital and allowable subordinated liabilities	\$	237,948		3530
6. Deductions and/or charges:				
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	▼ ¹⁷	\$ 42,227		3540
B. Secured demand note deficiency		0		3590
C. Commodity futures contracts and spot commodities- proprietary capital charges		0		3600
D. Other deductions and/or charges		0		3610
7. Other additions and/or allowable credits (List)		(42,227)		3620
8. Net capital before haircuts on securities positions	▼ ²⁰	\$ 195,721		3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):				
A. Contractual securities commitments	\$	0		3660
B. Subordinated securities borrowings		0		3670
C. Trading and investment securities:				
1. Exempted securities	▼ ¹⁸	0		3735
2. Debt securities		0		3733
3. Options		0		3730
4. Other securities		0		3734
D. Undue Concentration		0		3650
E. Other (List)		0		3736
10. Net Capital	\$	195,721		3750

OMIT PENNIES

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

BROKER OR DEALER

First Georgetown Securities, KInc.

as of 7/26/02

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$ 3,902	3756
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	3758
13. Net capital requirement (greater of line 11 or 12)	\$ 100,000	3760
14. Excess net capital (line 10 less 13)	\$ 95,721	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	▼ \$ 189,867	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$ 58,536	3790
17. Add:		
A. Drafts for immediate credit	▼ \$ 0	3800
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$ 0	3810
C. Other unrecorded amounts (List)	\$ 0	3820
19. Total aggregate indebtedness	\$ 58,536	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	% 30	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	% 0	3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

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	\$ N/A	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	▼ \$ N/A	3880
24. Net capital requirement (greater of line 22 or 23)	\$ N/A	3760
25. Excess net capital (line 10 less 24)	\$ N/A	3910
26. Net capital in excess of:		
5% of combined aggregate debit items or \$120,000	\$ N/A	3920

OMIT PENNIES

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 note 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.

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

BROKER OR DEALER

First Georgetown Securities, Inc.

For the period (MMDDYY) from 7/30/01 3932 to 7/26/02 3933
Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:		
a. Commissions on transactions in exchange listed equity securities executed on an exchange.....	\$ 302,796	3935
b. Commissions on listed option transactions	341,291	3936
c. All other securities commissions	291,354	3939
d. Total securities commissions	935,441	3940
2. Gains or losses on firm securities trading accounts		
a. From market making in options on a national securities exchange	0	3945
b. From all other trading	18,045	3949
c. Total gain (loss)	18,045	3950
3. Gains or losses on firm securities investment accounts	0	3952
4. Profit (loss) from underwriting and selling groups	0	3955
5. Revenue from sale of investment company shares	51,718	3970
6. Commodities revenue	0	3990
7. Fees for account supervision, investment advisory and administrative services	0	3975
8. Other revenue	323,144	3995
9. Total revenue	\$ 1,328,348	4030

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	\$ 187,156	4120
11. Other employee compensation and benefits	417,672	4115
12. Commissions paid to other broker-dealers	426,089	4140
13. Interest expense	62	4075
a. Includes interest on accounts subject to subordination agreements	0	4070
14. Regulatory fees and expenses	8,605	4195
15. Other expenses	292,237	4100
16. Total expenses	\$ 1,331,821	4200

NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$ (3,473)	4210
18. Provision for Federal income taxes (for parent only)	(599)	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above	0	4222
a. After Federal income taxes of	0	4238
20. Extraordinary gains (losses)	0	4224
a. After Federal income taxes of	0	4239
21. Cumulative effect of changes in accounting principles	0	4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$ (2,874)	4230

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$ (5,041)	4211
---	------------	------

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

BROKER OR DEALER

First Georgetown Securities, Inc.

For the period (MMDDYY) from 7/30/01 to 7/26/02

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

1. Balance, beginning of period		\$	240,822	4240
A. Net income (loss)			(2,874)	4250
B. Additions (Includes non-conforming capital of	▼	\$	0	4262
C. Deductions (Includes non-conforming capital of	▼	\$	0	4272
2. Balance, end of period (From item 1800)		\$	237,948	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

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

OMIT PENNIES

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

BROKER OR DEALER

First Georgetown Securities, Inc.

as of 7/26/02

Exemptive Provision Under Rule 15c3-3

25. 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 4550
- B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained 4560
- C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm National Financial Services LLC 4335 4570
- D. (k) (3)—Exempted by order of the Commission 4580

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	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)	
32	4600	4601	4602	4603	4604	4605
33	4610	4611	4612	4613	4614	4615
34	4620	4621	4622	4623	4624	4625
35	4630	4631	4632	4633	4634	4635
36	4640	4641	4642	4643	4644	4645
37	4650	4651	4652	4653	4654	4655
38	4660	4661	4662	4663	4664	4665
39	4670	4671	4672	4673	4674	4675
40	4680	4681	4682	4683	4684	4685
41	4690	4691	4692	4693	4694	4695

TOTAL \$ 0 4699

OMIT PENNIES

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

FIRST GEORGETOWN SECURITIES, INC.
STATEMENTS OF CASH FLOWS
Years ended July 26, 2002 and July 27, 2001

	2002	2001
Cash Flow from operating activities:		
Net loss	\$ (2,875)	\$ (5,639)
Adjustments to reconcile net loss to net cash (used in) provided by operations:		
Depreciation and amortization	5,726	5,237
(Increase) decrease in		
Accounts receivable- brokers and dealers	(24,511)	202,202
Trading securities owned	44,820	(40,020)
Employee advances	558	(3,210)
Prepaid expenses	714	(3,995)
Recoverable income taxes	1,384	(1,384)
Increase (decrease) in:		
Accounts Payable	12,434	(3,361)
Accrued payroll and commissions	(3,454)	(10,826)
Retirement benefits payable	(36,929)	(27,678)
Accrued vacations	3,527	(424)
Payroll taxes withheld and accrued	3,886	(111,390)
Trading securities sold, not yet purchased	(7,197)	7,197
Income taxes payable	1,977	(6,990)
Deferred taxes- non-current	(263)	1,190
Net cash (used in) provided by operating activities	<u>(203)</u>	<u>909</u>
 Cash flows from investing activities:		
Purchase of office equipment	<u>(6,481)</u>	<u>(3,360)</u>
Net cash used in investing activities	<u>(6,481)</u>	<u>(3,360)</u>
 Net decrease in cash	(6,684)	(2,451)
 Cash beginning of the year	<u>10,113</u>	<u>12,564</u>
 Cash end of the year	<u><u>\$ 3,429</u></u>	<u><u>\$ 10,113</u></u>
 Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 62	\$ 2,269
Income taxes	-	14,073

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

FIRST GEORGETOWN SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
July 26, 2002 and July 27, 2001

Note 1. Nature of Operations and Significant Accounting Policies

First Georgetown Securities, Incorporated (the "Company"), a Delaware corporation, is organized to engage in the buying and selling of securities for businesses and the general public and is a broker-dealer registered with the United States Securities and Exchange Commission. The Company is a member of the National Association of Security Dealers (NASD) and the Securities Investor Protection Corporation (SIPC). The Company is an introducing broker that accepts customer orders but elects to clear orders through a clearing broker for cost efficiencies. All customer brokerage accounts are maintained by National Financial Services Corporation, a wholly owned subsidiary of Fidelity Investments Company.

Recognition of Revenue

The Company's security transactions and related commission revenue and expense are recorded on a settlement date basis. Settlement dates occur three business days after the trade date for equity securities, corporate bonds, municipal bonds, and mutual funds and one business day after the transaction date for government securities, listed options, and money market instruments. Material accruals of unrecorded commissions and related expenses are recorded at year end, in accordance with accounting principles generally accepted in the United States of America.

Marketable Securities

Inventory of marketable securities is valued at quoted prices on the various markets, as of the last business day each fiscal month. Accrued interest on bonds is included when applicable. When market values are not readily determinable, the Company uses other data to mark securities to market and to state long and short positions. In cases where there is no readily available market value, the Company treats the securities as having no value for stating values of trading inventories and long and short positions. The resultant difference between cost and market in the trading and investment accounts is included in the profit and loss accounts for the year.

Depreciation Methods

Depreciation and amortization are provided on a straight-line basis using estimated useful lives of five to eight years for furniture and fixtures, and the remaining lease term for leasehold improvements.

FIRST GEORGETOWN SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
July 26, 2002 and July 27, 2001

Note 1. Nature of Operations and Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Company considers all demand deposit accounts to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 those estimates.

Accounting Policies - Derivatives

Derivatives used for economic hedging purposes include swaps, forwards, futures, and purchased options. Unrealized gains or losses on these derivative contracts are recognized currently in the statement of income as part of commissions revenue. The Company does not apply hedge accounting as defined in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as all financial instruments are marked to market with changes in fair values reflected in earnings.

Note 2. Accounts Receivable – Brokers and Dealers

Accounts receivable – brokers and dealers represent receivables due from the clearing broker, National Financial Services Corporation. Amounts owed are considered fully collectible.

Note 3. Fiscal Year End

The Company's fiscal year ends on the last Friday of July.

FIRST GEORGETOWN SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
July 26, 2002 and July 27, 2001

Note 4. Net Capital Requirements

Pursuant to the net capital requirements of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company's required ratio of "aggregate indebtedness", as defined, to "net capital", as defined, may not exceed 15 to 1. Net capital and related ratios normally fluctuate on a daily basis. On July 26, 2002 and July 27, 2001, the Company had net capital (as computed in accordance with the regulations of the Securities and Exchange Commission) of \$ 195,721 and \$ 187,112, respectively and the ratios of aggregate indebtedness to net capital were 0.30 to 1 and 0.41 to 1, respectively.

Note 5. Income Taxes

Deferred income taxes arise from timing differences resulting from income and expense items reported for financial accounting and tax purposes in different periods.

Note 6. Lease Commitments

The Corporation leases office space and three automobiles under operating leases that have remaining lease terms in excess of one year as of July 26, 2002.

The minimum rental commitments under these leases as of July 26, 2002 are as follows:

Fiscal Year Ending:

July 2003	\$ 75,221
July 2004	27,414
July 2005	8,624

Total rental expense for automobile and office space lease was \$ 61,725 and \$ 64,207 for the years ended July 26, 2002 and July 27, 2001, respectively.

Note 7. Securities Sold, Not Yet Purchased

Trading securities sold, not yet purchased, consist of marketable equity securities and are stated at fair value.

FIRST GEORGETOWN SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
July 26, 2002 and July 27, 2001

Note 8. Retained Deficit

In 1975, the corporations of Baxter, Blyden, Selheimer & Company, Inc. and Bronwen Corporation were merged. The successor corporation formed was **First Georgetown Securities, Inc.** As a result of this merger a deficit was created in the stockholders' equity section of the Company. This deficit is a result of operations prior to 1975 and prior to the control of current management. The deficit does not represent obligations of the Company.

Note 9. Retirement Plan

The Company sponsors a Simplified Employee Pension Plan (SEP) that covers all employees. At management's discretion, the Company funds the Plan 100% with available resources. An employee must work for one year to become eligible for contributions. Contributions to the plan are limited to the lesser of \$ 25,500 or 15% of employees' eligible compensation. For the years ended July 26, 2002 and July 27, 2001, the pension expense was \$ 0 and \$ 60,929, respectively.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Certified Public Accountants and Consultants

Independent Auditor's Report On Internal Control

Board of Directors
First Georgetown Securities, Inc.

In planning and performing our audit of the financial statements of **First Georgetown Securities, Inc.** (the Company) for the year ended **July 26, 2002**, we considered its internal control, 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.

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 **First Georgetown Securities, Inc.** including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g)(1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because **First Georgetown Securities, Inc.** does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by **First Georgetown Securities, Inc.** in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons;
2. 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.

The management of the Company is responsible for establishing and maintaining an 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 the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

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 error 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 internal control, 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 practices and procedures of **First Georgetown Securities, Inc.** were adequate at **July 26, 2002**, to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC, the New York Stock Exchange, the National Association of Securities Dealers and other regulatory agencies which 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.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

*Rockville, Maryland
September 9, 2002*

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Certified Public Accountants and Consultants

The Board of Directors
First Georgetown Securities, Inc.

We have audited the financial statements of **First Georgetown Securities, Inc.** as of **July 26, 2002** and have issued our report thereon dated September 9, 2002. Pursuant to rule 17a-5(d)(4) of the Securities and Exchange Act of 1934, we reviewed the Computation of Net Capital under Rule 15c3-1. No material differences exist between the preliminary net capital, as filed August 17, 2002 and the audited net capital contained herewith.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

*Rockville, Maryland
September 9, 2002*