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

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

TC 12/12/02

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

SEC MAIL RECEIVED  
DEC - 2 2002  
WASH. D.C. 154 SECTION

SEC FILE NUMBER  
17974

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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 September 27, 2001 AND ENDING September 30, 2002  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

First Washington Corp.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

601 Union Street, Suite 3003

(No. and Street)

Seattle

Washington

98101

(City)

(State)

(Zip Code)

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

Mr. William L. McQueen, CPA

(206) 623-7302

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Moss Adams LLP

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

1001 Fourth Avenue, Suite 2900

Seattle

Washington

98154

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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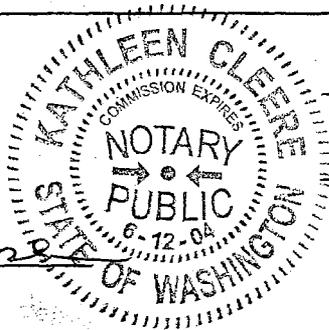
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THOMSON FINANCIAL

\*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).

OATH OR AFFIRMATION

I, Phillip Frink, 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 Washington Corporation, as of September 30, 19 2002, 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:

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



*Phillip Frink*  
Signature

PRESIDENT  
Title

*Kathleen Cleere*  
Notary Public

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (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).

**FIRST WASHINGTON CORPORATION**

**INDEPENDENT AUDITOR'S REPORT  
and  
STATEMENT OF FINANCIAL CONDITION**

**SEPTEMBER 30, 2002**



## INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors  
First Washington Corporation

We have audited the accompanying statement of financial condition of First Washington Corporation (the Company) as of September 30, 2002. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. 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 statement referred to above presents fairly, in all material respects, the financial position of First Washington Corporation as of September 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

Seattle, Washington  
November 1, 2002

**FIRST WASHINGTON CORPORATION**  
**STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2002**

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**ASSETS**

Cash	\$ 286,896
Receivable from clearing organization	245,044
Securities owned, at market value	587,628
Deposit with clearing organization	60,221
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$102,954	20,371
Other assets	<u>14,332</u>
	<u>\$ 1,214,492</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Accounts payable	\$ 11,950
Accrued liabilities	161,846
Accrued profit sharing contribution	150,000
Payable to clearing organization	<u>122,548</u>
	<u>446,344</u>

**COMMITMENTS (Note 5)**

**STOCKHOLDERS' EQUITY**

Common stock, \$30 par value, 10,000 shares authorized, 2,800 shares issued and outstanding	84,000
Additional paid-in capital	230,595
Retained earnings	<u>453,553</u>
	<u>768,148</u>
	<u>\$ 1,214,492</u>

**FIRST WASHINGTON CORPORATION**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2002**

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**Note 1 - Operations and Summary of Significant Accounting Policies**

**Nature of Business** - First Washington Corporation (the Company) operates as a securities broker-dealer. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD).

**Use of Estimates** - The preparation of the 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 amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from those estimates.

**Accounting Method** - Securities transactions and the related revenue and expense are recorded on a settlement date basis, generally three business days after trade date for municipal and equity securities and one business day after trade date for U.S. government securities. The Company's financial condition using the settlement date basis is not materially different from recording transactions on a trade date basis.

**Securities Owned** - Securities owned are marked to market at month end based on available bid prices.

**Depreciation** - Furniture and equipment are stated at cost and depreciated over their estimated useful lives of five to seven years using accelerated methods. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful life.

**Fiscal Year** - Effective September 30, 2002, the Company changed its fiscal year end from the last Friday in September to the last day in September.

**Federal Income Tax** - The Company utilizes an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on currently enacted tax laws and rates. No such differences exist at September 30, 2002.

**FIRST WASHINGTON CORPORATION**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2002**

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**Note 2 - Securities Owned**

The balance of securities owned consists of the following at September 30, 2002:

Corporate stocks	\$ 388,980
Corporate bonds and notes	95,750
State and municipal obligations	82,798
Warrants	<u>20,100</u>
	<u>\$ 587,628</u>

**Note 3 - Transactions with Clearing Organization**

The Company has an agreement with BNY Clearing Services LLC (BNY) whereby BNY clears all security transactions, carries all customer accounts, finances and holds the Company's trading inventory, and performs certain other services. The agreement is cancelable upon 90 days prior written notice of either party. The Company is subject to a termination fee, if termination is within a specified time frame stated in the agreement. As part of this agreement, the Company is required to maintain a deposit based upon the amount of its inventory held at BNY.

**Note 4 - Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital. The Company is required to maintain net capital of the greater of \$250,000 or 6 2/3% of aggregate indebtedness. At September 30, 2002, the Company had net capital as follows:

Net capital	<u>\$ 641,633</u>
Excess net capital	<u>\$ 391,633</u>
Percentage of aggregate indebtedness to net capital	50%

**FIRST WASHINGTON CORPORATION**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2002**

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**Note 5 - Commitments**

The Company's offices are rented under a non-cancelable lease and sublease agreement expiring September 2004 and November 2002, respectively. The future minimum rental payments are:

<u>Fiscal Year Ending</u>	
2003	\$ 165,245
2004	<u>160,860</u>
	<u>\$ 326,105</u>

**Note 6 - Employee Benefit Plan**

The Company maintains a profit sharing plan covering substantially all employees. Annual contributions are made at the discretion of the Board of Directors.

**Note 7 - Trading Activities and Related Risks**

In the normal course of business, the Company enters into financial transactions where there is risk of potential loss due to changes in the market (market risk) or failure of the other party to the transaction to perform (credit risk).

Market risk is the potential change in value caused by fluctuations in market prices of an underlying financial instrument. Subsequent market fluctuations may require selling securities owned at prices that differ from the market values reflected on the statement of financial condition. Market risk is directly impacted by the volatility and liquidity in the markets in which financial instruments are traded. The Company seeks to control such market risk by measuring and monitoring risk limits.

Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of a contract. The Company's direct exposure to credit risk is concentrated in the balance of securities owned and any cash deposits in excess of applicable insurance limits. The Company reduces its exposure to these credit risks by trading only exchange traded financial instruments, which generally do not give rise to significant counterparty exposure due to the margin requirements of the individual exchanges, and maintaining cash deposits with only high quality financial institutions.

**FIRST WASHINGTON CORPORATION**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2002**

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**Note 7 - Trading Activities and Related Risks (Continued)**

Additionally, in the normal course of business, the Company engages in activities involving the execution and settlement of various securities transactions for the benefit of customers. These services are provided on a fully disclosed basis to a large and diversified group of clients. These activities may expose the Company to credit risk, including off-balance sheet and market risks, in the event a client or counterparty is unable to fulfill its contractual obligation. Volatile or illiquid trading markets may increase such risks.

**Note 8 - Report on Internal Control**

In accordance with certain rules of the Securities and Exchange Commission, a report on the Company's internal accounting control was furnished to the Commission. A copy of the report is available for examination at the Company's office or at the regional office of the Securities and Exchange Commission.