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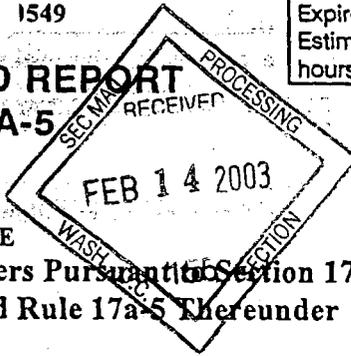


SI COMMISSION
1549

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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
8-38999

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 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Winston Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. 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 Number)

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, NC 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

MAR 10 2003

THOMSON
FINANCIAL

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*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)

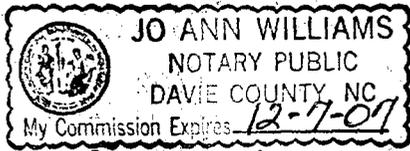
SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

08-5

OATH OR AFFIRMATION

I, William 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, 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:



Jo Ann Williams
Notary Public

William 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 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.
- (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, 2002

**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

SEC FILE NO

First Winston Securities, Inc. 13

8-38999 14
FIRM ID. NO.

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

21538 15

121-E Reynolda Village 20

FOR PERIOD BEGINNING (MM/DD/YY)

(No. and Street)

01/01/02 24

Winston-Salem 21 North Carolina 22 27106 23

12/31/02 25

(City)

(State)

(Zip Code)

AND ENDING (MM/DD/YY)

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

(Area Code)—Telephone No.

William F. Marshall 30

(336)761-1900 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 10th day of February 2002

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:(a))

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

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74

Check One

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

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WORK LOCATION	REPORT DATE MM/DDYY	DOC. SEQ. NO.	CARD				
50	51	525	3				

**Butler
& Burke**

L.L.P.

Certified Public
Accountants

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, 2002, 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 U.S. 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, 2002, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Butler & Burke LLP

Winston-Salem, North Carolina
January 10, 2003

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

BROKER OR DEALER

First Winston Securities, Inc.

N2

100

STATEMENT OF FINANCIAL CONDITION

As of (MM/DD/YY) **12/31/02**

99

SEC FILE NO. **8-38999**

98

Consolidated **198**
Unconsolidated **199**

ASSETS

Allowable

Nonallowable

Total

1	Cash	\$	101,311	200		\$	101,311	750
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		3,146,884	390				
	D. Corporate obligations			400				

OMIT PENNIES

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

BROKER OR DEALER First Winston Securities, Inc.

as of 12/31/02

STATEMENT OF FINANCIAL CONDITION

		<u>ASSETS</u>			
		<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			
				\$ 3,146,884	850
8.	Securities owned not readily marketable:				
A.	At Cost \$	130			
B.	At estimated fair value	440	\$ 72,100	610	860
9.	Other investments not readily marketable:				
A.	At Cost \$	140			
B.	At estimated fair value	450		620	870
10.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
A.	Exempted securities \$	150			
B.	Other \$	160		460	630
11.	Secured demand notes - market value of collateral:				
A.	Exempted securities \$	170			
B.	Other \$	180		470	640
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	2,656	680	2,656
15.	Other Assets:				
A.	Dividends and interest receivable	41,460		500	690
B.	Free shipments			510	700
C.	Loans and advances			520	710
D.	Miscellaneous			530	720
16.	TOTAL ASSETS	\$ 3,289,655	\$ 74,756	740	\$ 3,364,411
		540		940	

OMIT PENNIES

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

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

as of 12/31/02

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	1,794,000 1250	1,794,000 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	30,954 1280	30,954 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	1120		1580
B. Commodities accounts	1130	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	589 1170		589 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

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*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 12/31/02

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	\$ 589 1230	\$ 1,824,954 1450	\$ 1,825,543 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		996,009 179
D. Retained earnings		179
E. Total		1,538,868 179
F. Less capital stock in treasury		179
30. TOTAL OWNERSHIP EQUITY		\$ 1,538,868 180
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY		\$ 3,364,411 181

OMIT PENN

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

BASIC FILERS ON

PART II—FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

BROKER OR DEALER First Winston Securities, Inc.	For the period (MMDDYY) from 01/01/02 to 12/31/02 Number of months included in this statement 3932 to 3933	3932 to 3933 12/31/02 3931
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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			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		1,809,111	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)			3952
4. Profits or (losses) from underwriting and selling groups			
a. Includes underwriting income from corporate equity securities	4237	14,233	3955
5. Margin interest			3950
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			3985
11. Other revenue		104,296	3995
12. Total revenue		\$ 1,927,640	4030

EXPENSES

13. Registered representatives' compensation		\$ 435,036	4110
14. Clerical and administrative employees' expenses		169,499	4040
15. Salaries and other employment costs for general partners, and voting stockholder officers		395,353	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)			4145
18. Clearance paid to non-brokers (see definition)		44,117	4135
19. Communications		55,492	4060
20. Occupancy and equipment costs		32,049	4080
21. Promotional costs		434	4150
22. Interest expense		42,935	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)		5,110	4180
25. Non-recurring charges			4190
26. Regulatory fees and expenses		5,514	4195
27. Other expenses		105,441	4100
28. Total expenses		\$ 1,290,980	4200

NET INCOME

29. Income (loss) before Federal income taxes and items below (Item 12 less Item 28)		\$ 636,660	4210
30. Provision for Federal income taxes (for parent only)		0	4220
31. Equity in earnings (losses) of unconsolidated subsidiaries not included above		0	4225
a. After Federal income taxes of	4238		
32. Extraordinary gains (losses)		0	4225
a. After Federal income taxes of	4239		
33. Cumulative effect of changes in accounting principles		0	4225
34. Net income (loss) after Federal income taxes and extraordinary items		\$ 636,660	4230

MONTHLY INCOME

35. Income (current month only) before provision for Federal income taxes and extraordinary items		\$	4215
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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
Capital Withdrawals
PART II

BROKER OR DEALER

First Winston Securities, Inc.

For the period (MMDDYY) from 01/01/02 to 12/31/02

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		\$ 1,634,208	4240
A. Net income (loss)		636,660	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)		\$ 1,538,868	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, 2002

OPERATING ACTIVITIES

Net income	\$ 636,660
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,528
(Increase)/Decrease in operating assets:	
Securities owned, net	4,274,202
Interest receivable	5,844
Increase/(Decrease) in operating liabilities:	
Accounts payable	589
Customer deposits	(10,407)
Payable to broker - dealers	<u>30,954</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>4,939,370</u>

FINANCING ACTIVITIES

Re-payment of secured short term bank loans, net	(4,217,000)
Dividends paid	<u>(732,000)</u>
<u>NET CASH USED IN FINANCING ACTIVITIES</u>	<u>(4,949,000)</u>

DECREASE IN CASH

Cash, Beginning	<u>110,941</u>
Cash, Ending	<u>\$ 101,311</u>
Supplemental cash flow disclosures:	
Interest paid	<u>\$ 42,935</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 third 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 Equivalents

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2002:

Vehicle	\$ 39,345
Leasehold improvements	58,507
Office furniture and equipment	<u>1,905</u>
	99,757
Less: accumulated depreciation and amortization	<u>97,101</u>
	<u>\$ 2,656</u>

NOTE C: SECURED SHORT TERM BANK LOANS

At December 31, 2002, 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 failed transactions. Interest on these loans is charged at LIBOR plus 2.5% (3.8800%) at December 31, 2002. At December 31, 2001, the loan balance of \$1,794,000 was fully collateralized by the Company's trading inventory, which had an aggregate market value of \$3,146,884. The agreements with the bank expire on June 30, 2003.

NOTE D: COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company enters into underwriting commitments and when-issued contracts. At December 31, 2002, the Company expected no losses from such open commitments.

FIRST WINSTON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E: LEASES

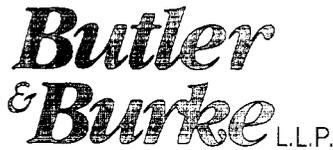
The Company leases its office space under a noncancellable operating lease. Future minimum lease payments under the terms of this agreement at December 31, 2002 are as follows:

2003	\$ 17,979
2004	18,339
2005	<u>7,704</u>
	<u>\$ 44,022</u>

Rent expenses under this lease was \$17,327 in 2002.

NOTE F: 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, 2002, the Company had net capital of \$1,230,318, which exceeded its required net capital of \$100,000, and its net capital ratio was .0005 to 1.



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, 2002, and have issued our report thereon dated January 10, 2003. 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 10, 2003

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

BROKER OR DEALER **First Winston Securities**

as of **12/31/02**

COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition - Item 1800)	\$	1,538,868	3480
2. Deduct Ownership equity not allowable for net capital			3490
3. Total ownership equity qualified for net capital		1,358,868	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	1,538,868	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Note B and C)	\$	74,756	3540
1. Additional charges for customers' and non-customers' security accounts			3550
2. Additional charges for customers' and non-customers' commodity accounts			3560
B. Aged fail-to-deliver:			3570
1. Number of items	▼ ₂₉	3450	
C. Aged short security differences-less reserve of	\$	3460	▼ ₃₁₁ 3580
number of items		3470	
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities proprietary capital charges			3600
F. Other deductions and/or charges			3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ..			3615
H. Total deductions and/or charges		74,756	3620
7. Other additions and/or allowable credits (List)			3630
8. Net Capital before haircuts on securities positions	\$	1,464,112	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments			3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper	▼ ₃₁		3680
2. U.S. and Canadian government obligations			3690
3. State and municipal government obligations		192,899	3700
4. Corporate obligations			3710
5. Stocks and warrants			3720
6. Options			3730
7. Arbitrage			3732
8. Other securities	▼ ₃₇		3734
D. Undue concentration		40,895	3650
E. Other (list)			3736
10. Net Capital	\$	1,230,318	3700

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

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

as of **12/31/02**

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$	39	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)	\$	1,130,318	377
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	1,230,259	378

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	589	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	\$	589	384
20. Percentage of aggregate indebtedness to net capital (line 19 - by line 10)	%	.05	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)	%	.05	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)	\$		387
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)	%		387
28. Net capital in excess of: 5% of combined aggregate debit items or \$120,000	\$		391

OTHER RATIOS

Part C **N/A**

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%		387
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	%		38

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 DECEMBER 31, 2002**

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, 2002)

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, 2002.

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

BROKER OR DEALER First Winston Securities, Inc.

as of 12/31/02

**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	\$		4430

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			4470
18. **less 3% (for alternative method only — see Rule 15c3-1 (f) (5) (ii))			4470
19. **TOTAL 15c3-3 DEBITS	\$		4470

RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11)	\$		4470
21. Excess of total credits over total debits (line 11 less line 19)			4470
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits			4500
23. Amount held on deposit in "Reserve Bank Account(s)", including value of qualified securities, at end of reporting period			4500
24. Amount of deposit (or withdrawal) including \$ 4515 value of qualified securities			4515
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ 4525 value of qualified securities	\$		4525
26. Date of deposit (MMDDYY)			4525

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.

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

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

as of **12/31/02**

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 12/31/02

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 Withdrawn (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*		

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*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 12/31/07

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					
5. Number of corrected customer confirmations mailed after settlement date					
		<u>No. of Items</u>	<u>Debit (Short Value)</u>	<u>No. of Items</u>	<u>Credit (Long Value)</u>
6	Money differences	5000	\$ 5010	5020	\$ 5030
7	Security suspense accounts	5040	\$ 5050	5060	\$ 5070
8	Security difference accounts	5080	\$ 5090	5100	\$ 5110
9	Commodity suspense accounts	5120	\$ 5130	5140	\$ 5150
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					
		5160	\$ 5170	5180	\$ 5190
11. Bank account reconciliations-unresolved amounts over 30 calendar days					
		5200	\$ 5210	5220	\$ 5230
12. Open transfers over 40 calendar days, not confirmed					
		5240	\$ 5250	5260	\$ 5270
13. Transactions in reorganization accounts over 60 calendar days					
		5280	\$ 5290	5300	\$ 5310
14. Total					
		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>
			5360	\$ 5361	\$ 5362
16. Failed to receive 5 business days or longer (21 business days or longer in the case of Municipal Securities)					
			5363	\$ 5364	\$ 5365
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					
19. Maximum haircuts on underwriting commitments during the period					
20. Planned capital expenditures for business expansion during next six months					
21. Liabilities of other individuals or organizations guaranteed by respondent					
22. Lease and rentals payable within one year					
23. Aggregate lease and rental commitments payable for entire term of the lease					
A	Gross				\$ 5388
B	Net				\$ 5390

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Certified Public
Accountants

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

In planning and performing our audit of the financial statements of First Winston Securities, Inc. (the Company), for the year ended December 31, 2002, 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 U. S. 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, 2002, 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 10, 2003