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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8- 35597

**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 Guarantor Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1711 Westport Road

(No. and Street)

Kansas City
(City)

Missouri
(State)

64111
(Zip Code)

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

Jospeh P. Spallo

(816) 561-5522

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Higdon & Hale, C.P.A.'s, P.C.

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

6310 Lamar Avenue, Suite 110, Overland Park, Kansas

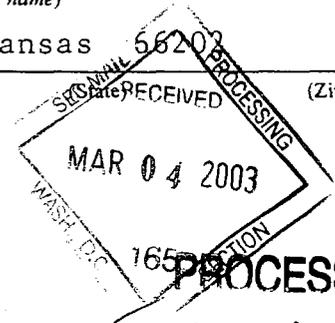
(Address)

(City)

(Zip Code)

CHECK ONE:

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



PROCESSED

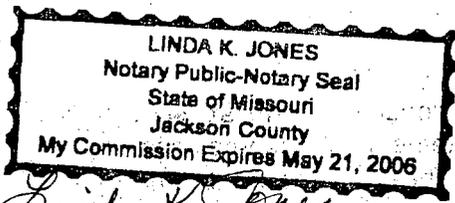
FOR OFFICIAL USE ONLY MAR 21 2003
THOMSON FINANCIAL

*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)

Handwritten initials/signature

OATH OR AFFIRMATION

I, Joseph P. Spallo, 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 Guarantor Securities, Inc., as of December 31, 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:



Linda K. Jones
Notary Public

Joseph P. Spallo
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). Required by SEC Rule 17a-

FIRST GUARANTOR SECURITIES, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2002

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HIGDON & HALE

David B. Higdon, C.P.A., C.F.P.

D. Bob Hale, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
and Stockholders of
First Guarantor Securities, Inc.

We have audited the accompanying statement of financial condition of **First Guarantor Securities, Inc.** as of December 31, 2002, and the related statements of income, changes in stockholders' equity, 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 generally accepted United States 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 Guarantor 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 generally accepted United States accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination 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.

Higdon & Hale
Certified Public Accountants
February 19, 2003

EXHIBIT A

FIRST GUARANTOR SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2002

ASSETS

Cash and cash equivalents	\$	62,760
Cash deposit with clearing organization		5,181
Receivable from clearing broker		<u>5,062</u>
TOTAL ASSETS	\$	<u><u>73,003</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accounts payable	\$	---
Accrued commissions		6,250
Accrued payroll taxes		1,233
Accrued income taxes		<u>---</u>

TOTAL LIABILITIES

7,483

STOCKHOLDERS' EQUITY

Common stock, \$1 par value, 500,000 shares authorized, 50,000 shares issued		50,000
Retained earnings		40,520
Treasury stock, at cost (25,000 shares)		<u>(25,000)</u>
Net stockholders' equity		<u>65,520</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 70,003

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

FIRST GUARANTOR SECURITIES, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2002

REVENUES	
Commission	\$ 97,332
Trading account gains (losses)	---
Interest	1,481
Miscellaneous	<u>4,101</u>
Total revenues	<u>102,914</u>
EXPENSES	
Employee compensation and benefits	19,433
Regulatory fees	29,507
Independent contractors	45,286
Professional services	3,000
Other expenses	<u>7,143</u>
Total expenses	<u>104,369</u>
INCOME (LOSS) BEFORE INCOME TAXES	<u>(1,455)</u>
PROVISION FOR INCOME TAXES	<u>---</u>
NET INCOME (LOSS)	<u><u>\$ (1,455)</u></u>

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

EXHIBIT C

FIRST GUARANTOR SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>
BALANCE, BEGINNING OF YEAR	\$ 50,000	\$ 41,975	\$ (25,000)
NET INCOME/(LOSS)	<u>---</u>	<u>(1,455)</u>	<u>---</u>
BALANCE, END OF YEAR	<u>\$ 50,000</u>	<u>\$ 40,520</u>	<u>\$ (25,000)</u>

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

FIRST GUARANTOR SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$ (1,455)
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Decrease in receivable and deposits from clearing broker	6,447
Decrease in accrued income taxes	1,512
Increase in accounts payable and accrued liabilities	<u>(6,492)</u>
Net cash provided by operating activities	<u>12</u>
 CASH FLOWS FROM FINANCING AND INVESTING ACTIVITIES	 <u>---</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 <u>12</u>
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>62,748</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 62,760</u>

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

FIRST GUARANTOR SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

A. *Nature of the Business*

The Company was incorporated on February 10, 1986 and started business in May 1986. The Company operates as a fully disclosed broker dealer in the Kansas City, Missouri area. All customer accounts and securities are carried by a clearinghouse.

B. *Management 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 at December 31, 2002 and revenues and expenses during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

B. *Statement of Cash Flows*

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. For the year ended December 31, 2002, the company did not have any cash equivalents.

Cash Paid – Interest and Taxes – The amounts of cash paid for interest and taxes for the year ended December 31, 2002 are as follows:

Interest	\$	---
Income taxes	\$	---

FIRST GUARANTOR SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE 2 NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 in the first year of operation and 15 to 1 thereafter (and the rule of "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2002, the Company had net capital of \$65,530, which was \$60,360 in excess of its required net capital of \$5,000. The Company's net capital ratio was .11 to 1.

NOTE 3 LEASE COMMITMENTS

The Company leases equipment and office space under month to month operating leases. Total rent expenses for 2002 was \$2,607.

SUPPLEMENTAL INFORMATION

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER First Guarantor Securities, Inc. PIN-FGSI

as of 12/31/02

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition - Item 1800	\$	65,520	3480
2. Deduct Ownership equity not allowable for Net Capital		(----)	3490
3. Total ownership equity qualified for Net Capital		65,520	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)	33	---	3525
5. Total capital and allowable subordinated liabilities	\$	65,520	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from			
Statement of Financial Condition (Notes B and C)	\$	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	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			(----) 3620
7. Other additions and/or allowable credits (List)			3630
8. Net capital before haircuts on securities positions	\$	65,520	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			3700
4. Corporate obligations			3710
5. Stocks and warrants			3720
6. Options			3730
7. Arbitrage			3732
8. Other securities	32	160	3734
D. Undue Concentration			3650
E. Other (List)			(160) 3740
10. Net Capital	\$	65,360	3750

OMIT PENNIES

NOTE: There were no material differences noted in the computation of net capital between the audited financial statements and that of the firm's audited Focus Report filing.

See independent auditor's report

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

BROKER OR DEALER First Guarantor Securities, Inc. PIN-FGSI

as of 12/31/02

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19)	\$	501	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)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	60,360	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	64,612	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	7,483	3790
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	
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	\$	---	3838
19. Total aggregate indebtedness	\$	7,483	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	11%	3850
21. Percentage of aggregate indebtedness to net capital <i>after</i> anticipated capital withdrawals (line 19 ÷ by line 10 less item 4880 page 25)	%	11%	3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debt items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$		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)	\$		3880
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess net capital (line 10 less 24)	\$		3910
26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 3)	%		3851
27. Percentage of Net Capital, <i>after</i> anticipated capital withdrawals, to Aggregate Debits (line 10 less item 4880 page 11 ÷ by line 17 page 3)	%		3854
28. Net capital in excess of the greater of:			
A. 5% of combines aggregate debit items or \$120,000	\$		3920

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%		3860
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	%		3852

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 $\frac{2}{3}$ % 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.

See independent auditor's report

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SCHEDULE II

FIRST GUARANTOR SECURITIES, INC.

**COMPUTATION OF DETERMINATION OF RESERVE REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

DECEMBER 31, 2002

The Company is exempt from the reserve provisions of Rule 15c3-3 under paragraph 15c3-3(k)(2)(ii). The conditions of the exemption were being complied with as of the date of this report and the year, which it covers.

See independent auditor's report.

SCHEDULE III

FIRST GUARANTOR SECURITIES, INC.

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

AS OF DECEMBER 31, 2002

The Company is exempt from the possession or control requirements of Rule 15c3-3 under paragraph 15c3-3(k)(2)(ii). The conditions of the exemption were being complied with as of the date of this report and the year, which it covers.

See independent auditor's report.



David B. Higdon, C.P.A., C.F.P.

D. Bob Hale, C.P.A.

John P. Martin, C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

Board of Directors
First Guarantor Securities, Inc.

In planning and performing our audit of the financial statements of **First Guarantor Securities, Inc.** 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 consolidated financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (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 the Company 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 the Company in any of the following:

1. Making quarterly securities examination, 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 Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining a system of internal accounting 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 internal control policies 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

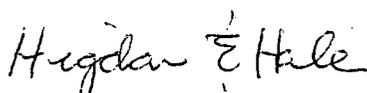
against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives 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 nevertheless occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.



Higdon & Hale
Certified Public Accountants
February 19, 2003