

AKB  
3/11/03



03014099

CM

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

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

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

SEC FILE NUMBER  
8- 35714

**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 01-01-2002 AND ENDING 12-31-2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: DAVIS CAPITAL RESOURCES, INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
3340 Peachtree Road, Suite 1800  
(No. and Street)

Atlanta Georgia 30326  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Daniel W. Davis III (404) 239-6278  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

PROCESSED

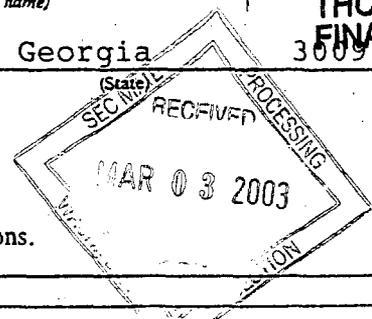
INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Westbrook, McGrath, Gibson & Orth  
(Name - if individual, state last, first, middle name)  
2750 Premiere Parkway, Suite 800 Duluth Georgia  
(Address) (City) (State) (Zip Code)

MAR 21 2003

THOMSON  
FINANCIAL

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



FOR OFFICIAL USE ONLY

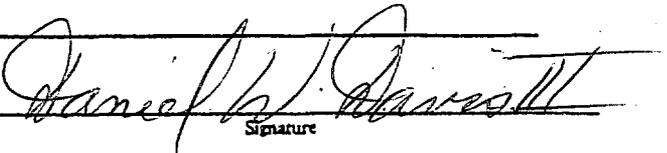
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

AK

## OATH OR AFFIRMATION

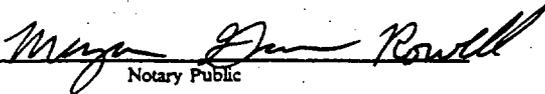
I, Daniel W. Davis III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Davis Capital Resources, Inc., as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company 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:

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

  
Signature

President

Title

  
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.
- (o) Independent Auditors' Report on Internal Control

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

**DAVIS CAPITAL RESOURCES, INC.**

Financial Statements and  
Supplemental Information  
December 31, 2002

**DAVIS CAPITAL RESOURCES, INC.**

**TABLE OF CONTENTS**

---

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS:	
Balance Sheet	2
Statements of Operations & Accumulated Deficit	3
Statement of Cash Flows	4
Notes to Financial Statements	5
SUPPLEMENTAL INFORMATION:	
Independent Auditors' Report on Supplemental Information	7
Reconciliation of Audited and Unaudited Reports	8
FOCUS REPORT	9
INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5	17

---

WESTBROOK, MCGRATH, GIBSON & ORTH

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

CERTIFIED PUBLIC ACCOUNTANTS

2750 PREMIER PARKWAY

SUITE 800

DULUTH, GEORGIA 30097

PHONE: (770) 622-9885

FAX (770) 622-9886

EMAIL: WMGOCPA.COM

**REPORT OF INDEPENDENT AUDITORS**

To the Stockholder  
Davis Capital Resources, Inc.

We have audited the accompanying balance sheet of Davis Capital Resources, Inc. as of December 31, 2002, and the related statement of operations and accumulated deficit, 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 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 Davis Capital Resources, 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 accounting principles accepted in the United States of America.

*Westbrook McGrath Gibson & Orth*

February 22, 2003

DAVIS CAPITAL RESOURCES, INC.

Balance sheet  
December 31, 2002

---

ASSETS

CURRENT ASSETS

Cash	\$	6,360
Accounts receivable, less allowance for bad debts of \$32,000		32,000
Advances		<u>1,959</u>
Total current assets		<u>40,319</u>

FIXED ASSETS, less accumulated depreciation of \$5,391 648

DEPOSITS 3,608

\$ 44,575

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES -

STOCKHOLDER'S EQUITY:

Common stock, \$.10 par value, 1,000 shares authorized, 500 shares issued and outstanding		50
Paid-in capital in excess of par		98,050
Accumulated deficit		<u>(53,525)</u>
		<u>44,575</u>
		<u><u>44,575</u></u>

---

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

**DAVIS CAPITAL RESOURCES, INC.**

**STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT**  
For the year ended December 31, 2002

---

**REVENUE**

Commissions and fees	\$	76,874
Interest		<u>26</u>
		<u>76,900</u>

**EXPENSES**

Salaries & wages		-
Payroll Taxes		8
Professional fees		9,300
Bank Fees		18
Bad debts		32,000
Auto expense		3,307
Meals & entertainment		2,574
Telephone		890
Office supplies & expenses		63
Licenses & fees		730
Insurance		1,047
Taxes		115
Rent & administration		14,765
Dues & subscriptions		316
Depreciation		381
Travel		713
Postage		<u>39</u>
	\$	<u>66,266</u>

**NET INCOME (LOSS)** 10,634

**ACCUMULATED DEFICIT, beginning of year** (64,159)

**ACCUMULATED DEFICIT, end of year** \$ (53,525)

---

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

**DAVIS CAPITAL RESOURCES, INC.**

**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2002

---

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income (Loss)	\$	10,634
Non cash items included in net income		
Depreciation		381
Changes in:		
Accounts receivable		(64,000)
Allowance for bad debts		32,000
Deposits		-
Accrued expenses		<u>(4,597)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		<u>(25,582)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Additional Paid-in capital in excess of par		<u>4,100</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		<u>4,100</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** (21,482)

**CASH AND CASH EQUIVALENTS, beginning of year** 27,842

**CASH AND CASH EQUIVALENTS, end of year** \$ 6,360

---

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

## NOTES TO FINANCIAL STATEMENTS

---

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Nature of Operations – The Company provides investment banking services concentrating on mergers and acquisitions and private placement of equity capital. The Company provides services to a limited number of clients during a normal fiscal year. The Company's operations are primarily in the United States.

Revenue Recognition - Revenue related to the sale of mutual funds will be recorded at the date of sale. Revenue related to commissions earned regarding the arranging of private placement of securities by issuers will be recognized generally at the "date of closing" when the revenue is earned.

Fixed Assets - Fixed assets are recorded at cost. Depreciation of fixed assets is computed using the straight line method over the estimated useful lives of the property. The cost and accumulated depreciation related to assets retired or sold are relieved from the accounts, and gain or loss on disposal is reflected in income. The cost of maintenance and repairs is charged to expenses as incurred. Renewals and betterments which extend the useful life of assets are capitalized.

Income taxes - The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company's net income or loss is reportable by its stockholder in his individual income tax return.

Use of estimates – The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **NOTE 2 - PENSION PLAN:**

The Company has a Simplified Employee Pension Plan (SEP). Contributions to the plan are determined annually and are made at the discretion of the Board of Directors. The Company did not make a contribution to the plan for 2002.

### **NOTE 3 - NET CAPITAL REQUIREMENTS:**

The Company is a licensed broker/dealer and accordingly is subject to the Securities and Exchange Commission Uniform Net Capital Rule which requires the maintenance of adjusted minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1. At December 31, 2002, the Company had adjusted net capital of \$6,360 which was \$1,360 in excess of its required net capital of \$5,000.

### **NOTE 4 – LEASES:**

The Company leases office space pursuant to an operating lease that expires in the February, 2002. Rent expense of \$14,765 is included in rent and administration expense in the accompanying statement of operations.

NOTES TO FINANCIAL STATEMENTS

---

**NOTE 5 – STOCKHOLDER’S EQUITY:**

During 2002 the Company’s stockholder contributed \$4,100 to the Company’s capital. The contribution to capital is reflected as an increase in paid-in capital in excess of par as follows:

Paid-in capital in excess of par at January 1, 2002	\$93,950
Contribution to capital during 2002	<u>4,100</u>
Paid-in capital in excess of par at December 31, 2002	<u>\$98,050</u>

**NOTE 6 – CONCENTRATION OF CREDIT RISK:**

The Company’s accounts receivable are for services provided for two entities. The trade accounts receivable are stated at the amount management expects to collect from the outstanding balances. Management has provided for probable uncollectable amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of the individual accounts.

WESTBROOK, MCGRATH, GIBSON & ORTH

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

*CERTIFIED PUBLIC ACCOUNTANTS*

2750 PREMIER PARKWAY

SUITE 800

DULUTH, GEORGIA 30097

PHONE: (770) 622-9885

FAX (770) 622-9886

EMAIL: WMGOCPA.COM

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION**

To the Stockholder  
Davis Capital Resources, Inc.

Our report on our audit of the basic financial statements of Davis Capital Resources, Inc. for 2002 appears on page one. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information reconciling audited and unaudited reports at December 31, 2002 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

*Westbrook, McGrath, Gibson & Orth*

February 22, 2003

**RECONCILIATION OF AUDITED AND UNAUDITED REPORTS**  
December 31, 2002

<u>Description</u>	<u>As Previously Stated</u>	<u>Debit</u>	<u>Credit</u>	<u>As Stated</u>
<b>ASSETS</b>				
Cash	\$6,360			\$6,360
Advances	\$1,959			\$1,959
Accounts Receivable, less allowance for bad debts	\$64,000		\$32,000 (2)	\$32,000
Fixed assets, less accumulated depreciator	1,029		\$381 (1)	648
Other assets	3,608			3,608
	<u>\$76,956</u>	<u>\$0</u>	<u>\$32,381</u>	<u>\$44,575</u>
<b>LIABILITIES</b>				
Accounts payable	\$0			\$0
Other Liabilities	\$0			\$0
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>STOCKHOLDER'S EQUITY</b>				
Common stock	50			50
Additional paid-in capita	98,050			98,050
Accumulated deficit	(21,144)	\$32,381 (1) & (2)		(53,525)
	<u>76,956</u>			<u>44,575</u>
	<u>\$76,956</u>	<u>\$32,381</u>	<u>\$0</u>	<u>\$44,575</u>
<b>INCOME AND (EXPENSES)</b>				
Revenue	\$76,900			\$76,900
Salaries	\$0			0
Other Compensation	\$0			0
Regulatory fees	(730)			(730)
Other expenses	(33,155)	32,381 (1) & (2)		(65,536)
	<u>\$43,015</u>	<u>\$32,381</u>	<u>\$0</u>	<u>\$10,634</u>

(1) Adjustments to properly record depreciation in 2002.

(2) Adjustment to properly record allowance for bad debts in 2002.

FORM  
X-17A-5

# FOCUS REPORT

OMB No. 3235-0123  
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

## PART IIA 12

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  25

NAME OF BROKER-DEALER

SEC FILE NO.

8-35714 14

FIRM ID. NO.

17769 15

Davis Capital Resources, Inc. 13

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

FOR PERIOD BEGINNING (MM/GO/YY)

3340 Peachtree Rd., N.E. Suite 1800 20

01/01/02 24

(No. and Street)

AND ENDING (MM/DO/YY)

Atlanta 21 Georgia 22

30326 23

12/31/02 25

(City)

(State)

(Zip Code)

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

(Area Code)—Telephone No.

30

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 \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_

Manual signatures of:

1) \_\_\_\_\_  
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. 78j(a))

07-017769-J  
DAVIS CAPITAL RESOURCES, INC.  
DANIEL WILBORN DAVIS, III  
P.O. BOX 420073, TUXEDO STATION  
ATLANTA GA 30342

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

BROKER OR DEALER **Davis Capital Resources, Inc.**

**N 3** [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

100

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

as of (MM/DD/YY) 12/31/02 99  
SEC FILE NO. 8-35714 98  
Consolidated [ ] 199  
Unconsolidated [ ] 199

**ASSETS**

	<u>Allowable</u>		<u>Non-Allowable</u>		<u>Total</u>
1. Cash .....	\$ 6,360	200			\$ 6,360 750
2. Receivables from brokers or dealers:					
A. Clearance account .....		295			
B. Other .....		300	\$ 32,000	550	\$ 32,000 810
3. Receivables from non-customers .....		355		600	955 830
4. Securities and spot commodities owned, at market value:					
A. Exempted securities .....		418			
B. Debt securities .....		419			
C. Options .....		420			
D. Other securities .....		424			
E. Spot commodities .....		430			850
5. Securities and/or other investments not readily marketable:					
A. At cost \$ .....	130				
B. At estimated fair value .....		440		610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities \$ .....	150				
B. Other securities \$ .....	160				
7. Secured demand notes: .....		470		640	890
market value of collateral:					
A. Exempted securities \$ .....	170				
B. Other securities \$ .....	180				
8. Memberships in exchanges:					
A. Owned, at market \$ .....	190				
B. Owned, at cost .....				650	
C. Contributed for use of the company, at market value .....				660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....		480		670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....		490	648	680	648 92
11. Other assets .....		535	5,567	735	5,567 93
12. TOTAL ASSETS .....	\$ 6,360	540	\$ 38,215	740	\$ 44,575 94

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

**BROKER OR DEALER**     **Davis Capital Resources, Inc.**     as of 12/31/02

**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.....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account.....	1114	1315	1560
B. Other.....	1115	1305	1540
15. Payable to non-customers.....	1155	1355	1610
16. Securities sold not yet purchased, at market value.....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other.....	1205	1385	1685
18. Notes and mortgages payable:			
A. Unsecured.....	1210		1690
B. Secured.....	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$ 970		1400	1710
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
20. TOTAL LIABILITIES.....	\$ 1230	\$ 1450	\$ 1760

**Ownership Equity**

21. Sole proprietorship.....		\$ 1770
22. Partnership (limited partners).....	\$ 1020	\$ 1780
23. Corporation:		
A. Preferred stock.....		1791
B. Common stock.....		50
C. Additional paid-in capital.....		98,050
D. Retained earnings.....		(53,525)
E. Total.....		44,575
F. Less capital stock in treasury.....		(1796)
24. TOTAL OWNERSHIP EQUITY.....		\$ 44,575
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY.....		\$ 44,575

FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER

Davis Capital Resources, Inc.

as of 12/31/02

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition.....	\$	44,575		3480
2. Deduct ownership equity not allowable for Net Capital.....	(			3490
J. Total ownership equity qualified for Net Capital.....		44,575		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.....	\$			3530
6. Deductions and/or charges:				
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C).....	\$	38,215		3540
B. Secured demand note deficiency.....				3590
C. Commodity futures contracts and spot commodities: proprietary capital charges.....				3600
D. Other deductions and/or charges.....				3610
7. Other additions and/or allowable credits (List).....			( 38,215	) 3620
8. Net capital before haircuts on securities positions.....	\$			3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):				
A. Contractual securities commitments.....	\$			3640
B. Subordinated securities borrowings.....				3670
C. Trading and investment securities:				
1. Exempted securities.....	\$			3735
2. Debt securities.....				3733
3. Options.....				3730
4. Other securities.....				3734
D. Undue Concentration.....				3650
E. Other (List).....				3736
10. Net Capital.....	\$			3740
			( 6,360	) 3750

OMIT PENNIE

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

**BROKER OR DEALER**     **Davis Capital Resources, 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) .....	\$		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) .....	\$	1,360	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	6,360	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	0	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	3830
19. Total aggregate indebtedness .....	\$	0	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) .....	%	0	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) .....	%		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 .....	\$		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. Net capital in excess of: 5% of combined aggregate debit items or \$120,000 .....	\$		3920

OMIT PENNIE!

**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** Davis Capital Resources, Inc.

For the period (MMDDYY) from 1/01/02 3932 to 12/31/02 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.....	\$	3935
b. Commissions on listed option transactions .....	75	3938
c. All other securities commissions .....		3939
d. Total securities commissions .....		3940
2. Gains or losses on firm securities trading accounts		
a. From market making in options on a national securities exchange .....		3945
b. From all other trading .....		3949
c. Total gain (loss) .....		3950
3. Gains or losses on firm securities investment accounts .....		3952
4. Profit (loss) from underwriting and selling groups .....	77	3955
5. Revenue from sale of investment company shares .....		3970
6. Commodities revenue .....		3990
7. Fees for account supervision, investment advisory and administrative services .....		3975
8. Other revenue ... (includes interest of \$ 26) .....		76,900 3995
9. Total revenue .....	\$	4030

**EXPENSES**

10. Salaries and other employment costs for general partners and voting stockholder officers .....	\$	0	4120
11. Other employee compensation and benefits .....	37		4115
12. Commissions paid to other broker-dealers .....			4140
13. Interest expense .....			4075
a. Includes interest on accounts subject to subordination agreements .....	4070		
14. Regulatory fees and expenses .....		730	4195
15. Other expenses .....		65,536	4100
16. Total expenses .....	\$	66,266	4200

**NET INCOME**

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16) .....	\$	10,634	4210
18. Provision for Federal income taxes (for parent only) .....	11		4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above .....			4222
a. After Federal income taxes of .....	4238		
20. Extraordinary gains (losses) .....			4224
a. After Federal income taxes of .....	4239		
21. Cumulative effect of changes in accounting principles .....			4225
22. Net income (loss) after Federal income taxes and extraordinary items .....	\$	10,634	4230

**MONTHLY INCOME**

23. Income (current month only) before provision for Federal income taxes and extraordinary items .....	\$		4231
---	----	--	------

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

**BROKER OR DEALER Davis Capital Resources, Inc.**

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

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

1. Balance, beginning of period.....	\$	29,841	4240
A. Net income (loss).....		10,634	4250
B. Additions (Includes non-conforming capital of additional paid in capital.....)	\$	4,100	4262
C. Deductions (Includes non-conforming capital of.....)	\$	4,100	4270
2. Balance, end of period (From item 1800).....	\$	44,575	4290

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

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

OMIT PENNIES

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

**BROKER OR DEALER**     Davis Capital Resources, Inc.     as of 12/31/02

**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 .....   | X 4560 |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm <u>4335</u> | 4570   |
| D. (k) (3)—Exempted by order of the Commission .....  | 4580   |

WESTBROOK, MCGRATH, GIBSON & ORTH

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

*CERTIFIED PUBLIC ACCOUNTANTS*

2750 PREMIER PARKWAY

SUITE 800

DULUTH, GEORGIA 30097

PHONE: (770) 622-9885

FAX (770) 622-9886

EMAIL:WMGOCPA.COM

**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING  
CONTROL REQUIRED BY SEC RULE 17a-5**

To the Stockholder  
Davis Capital Resources, Inc.

In planning and performing our audit of the financial statements of Davis Capital Resources, 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 purposes 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, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Davis Capital Resources, Inc. that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computation of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c-3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in 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 judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the 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 generally accepted principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph

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

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

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate 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.

*Wentworth, McNulty, Gitter & Dick*

February 22, 2003