

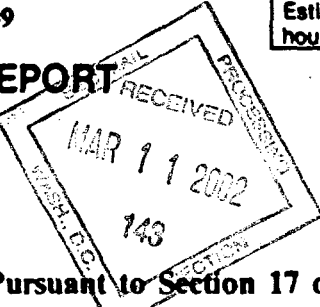


UNITED STATES  
AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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8- 52452

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



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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Newport Capital Inc.

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

10 Hanford Ave

(No. and Street)

New Rochelle

NY

10805

(City)

(State)

(Zip Code)

OFFICIAL USE ONLY  
FIRM ID. NO.

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

Thomas F Flynn

732-842-9450

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Conroy Smith & Co

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

385 Prospect Ave

Hackensack

NJ

07601

(Address)

(City)

(State)

CHECK ONE:

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

PROCESSED  
T MAR 21 2002  
THOMSON  
FINANCIAL

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).

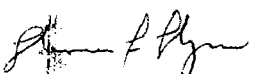
Handwritten signature and date 3/19

**OATH OR AFFIRMATION**

I, Anthony S Rust, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Newport Capital Inc., as of December 31, 19x2001 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:

None

  
Signature  
President  
Title

  
Notary Public

THOMAS F. FLYNN  
NOTARY PUBLIC OF NEW JERSEY  
MY COMMISSION EXPIRES FEB. 1, 2003

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.~~ CASH FLOWS
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

NEWPORT CAPITAL, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2001





# CONROY, SMITH & CO.

certified public accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Newport Capital, Inc.

We have audited the accompanying statement of financial condition of Newport Capital, Inc. as of December 31, 2001, 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 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 Newport Capital, Inc. as of December 31, 2001, and the results of its operations, changes in stockholders' equity, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in supplementary schedules I, II, III and IV 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 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, and in conformity with the rules of the Securities and Exchange Commission.

Certified Public Accountants

February 22, 2002  
New York, NY

NEWPORT CAPITAL, INC.  
STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2001

ASSETS

Cash	\$10,589
Furniture and equipment, net	9,600
Organization costs	<u>8,000</u>
<b>Total assets</b>	<b><u>\$28,189</u></b>

LIABILITIES AND STOCKHOLDERS' EQUITY

**Liabilities:**

Accounts payable	<u>\$ 2,500</u>
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<b>Total liabilities</b>	<b><u>\$ 2,500</u></b>
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**Stockholders' equity:**

Common stock, no par, 100 shares authorized, 60 shares issued and outstanding	\$ 6,000
Treasury stock, 20 shares	( 2,000)
Retained earnings	<u>21,689</u>

<b>Total stockholders' equity</b>	<b><u>\$25,689</u></b>
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<b>Total liabilities and stockholders' equity</b>	<b><u>\$28,189</u></b>
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See the accompanying notes to financial statements.



NEWPORT CAPITAL, INC.

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2001

**Revenues:**

Fees \$73,300

**Total revenues** \$ 73,300

**Expenses:**

Salaries and other employment costs \$ 2,136

Regulatory fees and expenses 3,035

Other expenses 39,183

**Total expenses** \$44,354

**Net income** \$28,946

See the accompanying notes to financial statements.



NEWPORT CAPITAL, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Common Stock</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2001	\$6,000	-	(\$ 7,257)	(\$ 1,257)
Purchase of treasury stock	-	(\$2,000)	-	( 2,000)
Net income	<u>-</u>	<u>-</u>	<u>28,946</u>	<u>28,946</u>
Balance, December 31, 2001	<u>\$6,000</u>	<u>(\$2,000)</u>	<u>\$21,689</u>	<u>\$25,689</u>

See the accompanying notes to financial statements.



NEWPORT CAPITAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2001

**Cash Flows From Operating Activities**

Net income	\$28,946
Adjustments to reconcile net income to net cash:	
Depreciation and amortization	4,400
Increase in other assets	( 8,000)
Decrease in accounts payable	( 916)
<b>Cash provided by operating activities</b>	<b><u>\$24,430</u></b>

**Cash Flows From Investing Activities**

Purchase of furniture and equipment	<u>(\$12,000)</u>
<b>Cash used by investing activities</b>	<b><u>(\$12,000)</u></b>

**Cash Flows From Financing Activities**

Purchase of treasury stock	<u>(\$ 2,000)</u>
<b>Cash flows from financing activities</b>	<b><u>(\$ 2,000)</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>\$10,430</b>
<b>Cash and cash equivalents, January 1</b>	<b><u>159</u></b>
<b>Cash and cash equivalents, December 31</b>	<b><u>\$10,589</u></b>

See the accompanying notes to financial statements.





NEWPORT CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Principal Business Activities

Newport Capital, Inc. (The "Company") is a broker dealer in securities registered with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Securities Dealers, Inc.

The Company was formed for the purpose of acting as a broker in connection with introducing institutional and accredited investors to persons or entities seeking to raise capital from such prospective investors.

Income Taxes

The Company has elected S corporation status for federal and state income tax purposes, whereby the corporate income or loss is reported on the personal return of the shareholder.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Cash Equivalents

For purposes of the statement of cash flows, the company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

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



NEWPORT CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

**Note 2. Furniture and Equipment**

As of December 31, 2001 furniture and equipment consists of:

Furniture and equipment	\$12,000
Accumulated depreciation	<u>2,400</u>
	<u>\$ 9,600</u>

Depreciation expense amounted to \$2,400 for the year ended December 31, 2001.

**Note 3. Net Capital Requirements**

As a broker-dealer, the Company is subject to the SEC's uniform net capital rule 15c3-1. The rule requires that the Company maintain minimum net capital, as defined, of the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined. Net capital and aggregate indebtedness change from day to day, but as of December 31, 2001, the company had net capital of \$8,089 which was \$3,089 in excess of its required net capital. The company's net capital ratio was .309 to 1.



SUPPLEMENTARY INFORMATION  
PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934

AS OF DECEMBER 31, 2001



NEWPORT CAPITAL, INC.SCHEDULE OF COMPUTATION OF NET CAPITAL UNDER  
SECURITIES AND EXCHANGE COMMISSION RULE 15c3-1AS OF DECEMBER 31, 2001Total Capital

Total stockholders' equity		<u>\$25,689</u>
<b>Total stockholders' equity qualified for net capital</b>		<b>\$25,689</b>
Deductions and/or charges:		
Non-allowable assets:		
Furniture and equipment	\$9,600	
Organization costs	<u>8,000</u>	<u>17,600</u>
<b>Net capital</b>		<b><u>\$ 8,089</u></b>

Computation of Basic Net Capital Requirement

Minimum net capital required (6-2/3% of aggregate indebtedness)		<u>\$ 167</u>
Minimum dollar net capital required		<u>\$ 5,000</u>
Excess net capital		<u>\$ 3,089</u>

Computation of Aggregate Indebtedness

Total A.I. liabilities		<u>\$ 2,500</u>
Percent of aggregate indebtedness to net capital		<u>30.9</u>



Schedule II

NEWPORT CAPITAL, INC.

SCHEDULE OF COMPUTATION OF RESERVE REQUIREMENTS  
UNDER EXHIBIT A OF SECURITIES AND EXCHANGE COMMISSION RULE 15c3-3

AS OF DECEMBER 31, 2001

The firm is engaged in a general securities business and carried no customer accounts on its books. All customer transactions are cleared through another stock brokerage firm on a fully disclosed basis.



NEWPORT CAPITAL, INC.

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

AS OF DECEMBER 31, 2001

The firm is engaged in a general securities business and carried no customer accounts on its books. All customer transactions are cleared through another stock brokerage firm on a fully disclosed basis and the firm does not have possession of customer securities.



Schedule IV

NEWPORT CAPITAL, INC.

RECONCILIATION OF COMPUTATION OF NET CAPITAL  
UNDER SECURITIES AND EXCHANGE COMMISSION RULE 15c3-1

AS OF DECEMBER 31, 2001

There is no difference between the audited and unaudited filings.





# CONROY, SMITH & CO.

certified public accountants

Board of Directors  
Newport Capital, Inc.

We have audited the financial statements of Newport Capital, Inc. for the year ended December 31, 2001, and have issued our report thereon dated February 22, 2002. As part of our audit, we made a study and evaluation of the Company's system of internal accounting control (which includes the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

We also made a study of the practices and procedures followed by the Company in making the periodic computation of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examination, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or 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, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 judgements by management are required to assess the expected benefits and related costs of control 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. The objectives of a system 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 accounting control procedures 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 they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.



Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Newport Capital, Inc. taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

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 the 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 as of December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5 under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Conroy, Smith & Co.

February 22, 2002  
New York, NY

