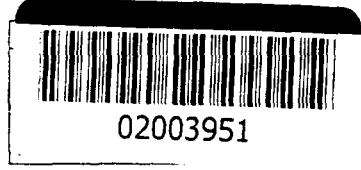


UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

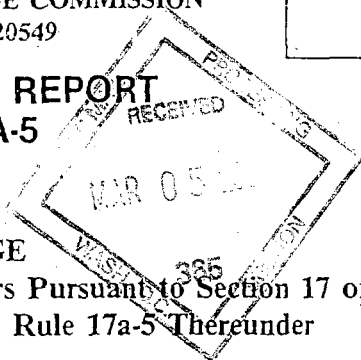


ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8- 50492

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder



3/8/02 FW

REPORT FOR THE PERIOD BEGINNING 01-01-2001 AND ENDING 12-31-2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: PORT SECURITIES, INC.

OFFICIAL USE ONLY
FIRM ID. NO.

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

2901 W. COAST HIGHWAY, #165
(No. and Street)

NEWPORT BEACH, CA. 92663

(City)

(State)

(Zip Code)

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

RICHARD LEMMON JR.

(949) 574-9286

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BERGEVIN, BRUCE EMILE

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

736 EAST CHAPMAN AVE., ORANGE, CA. 92866

(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 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).

3/20

OATH OR AFFIRMATION

I, RICHARD LEMMON, JR., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PORT SECURITIES, INC., as of DECEMBER 31, 192001, 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:

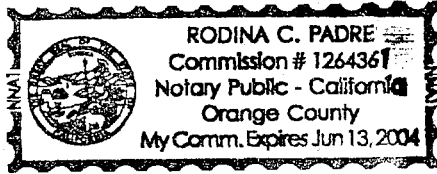
Richard Lemmon, Jr.

Signature
President

Title

Rodina C. Padre

Notary Public



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

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

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

PORT SECURITIES, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2001

PORT SECURITIES, INC.

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Supplemental Auditor's Report on Internal Control - Rule 17a-5	Exhibit A
Computation of Net Capital - Rule 15c3-1	Exhibit B
Computation of Net Capital Requirement	Exhibit B
Computation of Aggregate indebtedness	Exhibit B
Reconciliation with Company's Net Capital - Rule 17a-5(d)(4)	Exhibit C
Reserve Requirement Computation - Rule 15c3-3	Exhibit C

BRUCE EMILE BERGEVIN
CERTIFIED PUBLIC ACCOUNTANT
736 EAST CHAPMAN AVENUE
ORANGE, CALIFORNIA 92866
(714) 532-9892
(714) 532-9867 FAX

Board of Directors
Port Securities, Inc.
Newport Beach, California


INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying Statement of Financial Condition of Port Securities, Inc. as of December 31, 2001 and the related Statements of Income, Changes in Stockholders' Equity and Cash Flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Port Securities, Inc., at December 31, 2001 and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in schedules A, B and C 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 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Bruce E. Bergevin,
Certified Public Accountant

February 1, 2002

PORT SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2001

ASSETS

Current Assets		
Cash		19,881
Accounts receivable-trade		7,747
Prepaid expenses		<u>1,549</u>
Total Current Assets		29,177
Furniture and fixtures	5,166	
Less accumulated depreciation	<u>< 2,585 ></u>	2,581
Other Assets		
Loans to officers	4,000	
Deposits	762	
Organizational expense-net	<u>107</u>	<u>4,869</u>
Total Assets		<u>36,627</u>

LIABILITIES & STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts payable		173
Payroll taxes payable		2,245
Accrued expenses		<u>173</u>
Total Current Liabilities		7,634
Stockholder's Equity		
Common stock, 1,000 shares authorized, 51 shares issued & outstanding, no par value	1,500	
Additional paid-in capital	27,000	
Retained earnings	<u>493</u>	<u>28,993</u>
Total Liabilities and Stockholders Equity		<u>36,627</u>

The accompanying notes are an integral
part of these financial statements. Page 2 of 9

**PORT SECURITIES, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001**

Income

Commissions	144,243
Trading gains <losses>	< <u>1,904</u> >
Total Income	140,339

General and Administrative Expenses

(page 10) 149,476

Gross Income <loss> < 9,137 >

Other Income <Expense>

Sublet rental income 5,400

Total other income <expenses> 5,400

Profit <Loss> Before Income Taxes < 3,737 >

Provision for Income Taxes 800

Net Profit <Loss> < 4,537 >

PORT SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001

	Common Stock <u> </u>	Additional Paid- in Capital <u> </u>	Accumulated Adjustments Account <u> </u>
Balance, 12-31-2000	1,500	27,000	23,186
Dividend distributions			< 18,156>
Net profit <Loss>	<u> </u>	<u> </u>	< <u>4,537</u> >
Balance, 12-31-2001	<u>1,500</u>	<u>27,000</u>	<u>493</u>

PORT SECURITIES, INC.
STATEMENT OF CASH FLOWS USING THE INDIRECT METHOD
FOR THE YEAR ENDED DECEMBER 31, 2001

Net cash flow from operating activities:

Net Profit <Loss> < 4,537>

Adjustments to reconcile net income
to net cash from operating activities:

Amortization	183
Depreciation	924
Increase in receivables	< 5,791>
Increase in prepaid expenses	< 551>
Increase in accounts payable/ accrued expenses	<u>2,076</u>

Net cash flows from operating activities < 7,696>

Cash flows from investing activities:

Net sales of securities 62,500

Net cash flows from investing activities 62,500

Cash flows from financing activities:

Dividend distribution < 18,156>

Net repay of short term borrowings < 30,080>

Net cash flows from investing activities < 48,236>

Increase in cash and cash equivalents 6,568

Cash and cash equivalents, beginning 13,313

Cash and cash equivalents, ending 19,881

Additional disclosures:

Cash paid during the year for:

Income taxes: 800

Interest: 0

PORT SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

1. Significant accounting policies:

Organization

The Company, a registered broker/dealer in securities, was incorporated under the laws of the State of California on July 9, 1997. The Company is an introducing broker who clears all transactions with and for customers on a fully disclosed basis and does not handle customer funds or securities. The Company is a member of the National Association of Securities Dealers, Inc., and is registered with the Securities Investor Protection Corporation.

Accounts receivable

No allowance for doubtful accounts has been made as required by generally accepted accounting principles. Because of the nature of the business, once income has been earned, payment is more than likely to be received. The Company has an excellent experience in collection of receivables.

Furniture and fixtures

Furniture and fixtures are stated at cost. Depreciation is computed using the straight line method. The estimated lives of the depreciable assets range from five to seven years. Depreciation expense for the year is \$924. Expenditures for renewals and betterment are capitalized and maintenance and repairs are charged against income. Upon sale or retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss on sale or retirement is reflected in current earnings.

Organization Expense

The cost of incorporating the Company are being amortized over a sixty month period. Amortization expense for the year is \$183.

PORT SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2001

Income taxes

The books and records are kept on an accrual basis for both accounting and income tax purposes. For tax purposes, securities and investments are valued at market. Gains and losses on securities held for sale are recognized though not realized. Gains and losses on securities held for investments are not recognized until actually sold or disposed of. The unrecognized gain on investments as of December 31, 2001 was \$0.

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income tax on their respective shares of the Company's taxable income. The Company is a Subchapter S corporation in the State of California. Under those provisions, the Company pays a 1.5% tax on its income. The Shareholders are liable for individual state income taxes on their respective shares of the Company's taxable income.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2 Loans to officers

There is no stated interest rate or payback schedule.

PORT SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2001

3 Deferred income taxes

The company provides for deferred taxes on timing differences between amounts reported for financial and income tax purposes. Such differences relate principally to recognizing profits on the value of investments (mark to market) and depreciation methods. There are currently no material timing differences.

4. 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 15 to 1. At December 31, 2001 the Company had the specifically defined net capital of \$19,994 which was \$14,994 in excess of its required net capital of \$5000. The company's net capital ratio was .38 to 1.

5. Commitments and contingencies

In the normal course of business the Company executes, as agent, transactions on behalf of customers. If the agency transactions do not settle because of failure to perform by either the customer or the counterparty, the Company may be obligated to discharged the obligation of the nonperforming party and, as a result, may incur a loss if the market value of the security is different from the contract amount of the transactions. The Company does not anticipate nonperformance by customers or counterparties in the above situations. The Company's policy is to monitor its market exposure and counterparty risk. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of each counterparty and customer with which is conducts business.

The Company is currently operating under a month to month standard commercial lease for use of it's current office space.

PORT SECURITIES, INC.
GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2001

General and administrative expenses

Officer salary	12,000
Automobile	958
Amortization	183
Bank charges	302
Commissions	45,218
Dues/subscriptions/fees	393
Depreciation	924
Clearing charges	45,351
Equipment/quotation rental	1,453
Insurance	1,890
Licenses	1,176
Office expense	841
Postage	335
Professional services	2,225
Regulatory fees	1,488
Rent	14,097
Repairs and Maintenance	240
Sales promotion	13,574
Taxes-personal property	40
Taxes-payroll	1,212
Travel	1,104
Telephone	<u>4,472</u>
	<u>149,476</u>

BRUCE EMILE BERGEVIN
CERTIFIED PUBLIC ACCOUNTANT
736 EAST CHAPMAN AVENUE
ORANGE, CALIFORNIA 92866
(714) 532-9892
(714) 532-9867 FAX

**Auditor's Report on Internal
Control Required by SEC Rule 17a-5**

Board of Directors
Port Securities, Inc.

I have audited the accompanying financial statements of Port Securities, Inc. as of and for the year ended December 31, 2001, and have issued my report thereon dated February 1, 2002. My audit was conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules A, B and C 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 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In planning and performing my audit of the financial statements of Port Securities, Inc. for the year ended December 31, 2001 I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that I considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(11) and the reserve required by rule 15c3-3(e). I did not study the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by rule 17a-13; nor 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; nor in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3, as 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 internal 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 controls 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 internal control 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 the inherent limitations in internal control or the practices and procedures referred to above, error or fraud 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. My consideration of internal control would not necessarily disclose all matters in internal control 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 components does not reduce to a relatively low level the risk that errors or fraud 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, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.


Bruce E. Bergevin,
Certified Public Accountant

February 1, 2002

PORT SECURITIES, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2001

Computation of Net Capital		
Total stockholder's equity		28,993
Deductions and/or charges		
Non-allowable assets:		
Prepaid expenses/deposits	6,418	
Equipment - net	<u>2,581</u>	
Total non allowable assets		< <u>8,999</u> >
Net capital before haircuts on securities		19,994
Haircuts on securities		
Other securities		<u>0</u>
Net capital		<u>19,994</u>
Computation of Basic Net Capital Requirement		
Minimum net capital required		<u>5,000</u>
Excess net capital		<u>14,994</u>
Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)		<u>19,231</u>
Computation of Aggregate Indebtedness		
Items included in statement of financial condition		
Accrued liabilities and expenses		<u>7,634</u>
Total aggregate indebtedness		<u>7,634</u>
Ratio of aggregate indebtedness to net capital		<u>.38 To 1</u>

PORT SECURITIES, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
(CONTINUED)
DECEMBER 31, 2001

Reconciliation with Company's Computation of Net Capital
SEC Rule 17a-5(d) (4)

Net capital per December 31, 2001 FOCUS II (unaudited)	19,427
Increase in company profit	<u>567</u>
Net Capital-December 31, 2001 per Audit Report	<u>19,994</u>

COMPUTATION FOR DETERMINATION OF THE RESERVE REQUIREMENTS
INFORMATION RELATING TO THE POSSESSION OR CONTROL
REQUIREMENTS

Port Securities, Inc. relies on Section K2B of the Securities Exchange Rule 15c3-3 to exempt them from the provisions of this rule