



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

174

Uf 3-12-02

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

SEC FILE NUMBER 8-43539

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 1/1/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Westview Securities Inc.

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

13567 Mango Drive
(No. and Street)

Del Mar, CA 92014-3538

(City)

(State)

(Zip Code)

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

Dr. Peter Korn

(858) 793-0175

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BOROS & FARRINGTON

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

11770 Bernardo Plaza Court, Suite 210, San Diego, CA 92128

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

3 MAR 20 2002

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

SEC 1410 (3-91)

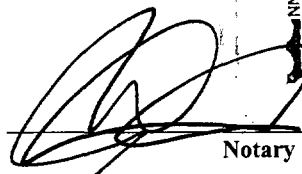
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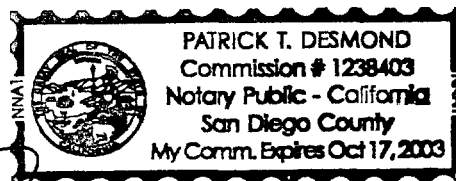
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OATH OR AFFIRMATION

I, Dr. Peter Korn, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Westview Securities Inc., as of December 31, 2001, 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


Notary Public





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 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 of 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).

WESTVIEW SECURITIES INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Westview Securities Inc.

We have audited the accompanying statement of financial condition of Westview Securities Inc. as of December 31, 2001, and the related statements of income, changes in stockholder's 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 Westview Securities Inc. at December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted 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 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 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.

Boros & Farrington PC

January 10, 2002

WESTVIEW SECURITIES INC.

Statement of Financial Condition

December 31, 2001

ASSETS

Cash	\$261,456
Marketable securities, at fair market value	199,507
Prepaid expenses	146
Furniture and equipment, less accumulated depreciation of \$13,520	3,067
Non-marketable securities, at cost	<u>42,191</u>
	<u>\$506,367</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	\$ <u>-</u>
Stockholder's equity	
Common stock, 1,000 shares authorized	25,000
Retained earnings	<u>481,367</u>
Total stockholder's equity	<u>506,367</u>
	<u>\$506,367</u>

See notes to financial statements.

WESTVIEW SECURITIES INC.

Statement of Income

Year Ended December 31, 2001

Revenues	
Transaction fees	\$750,000
Consulting fees	96,000
Interest and dividends	13,158
Total revenues	<u>859,158</u>
Expenses	
Compensation	717,620
Pension	35,030
Taxes other than income taxes	15,550
Professional fees	13,800
Advertising and promotion	10,078
Travel	11,000
Entertainment	6,998
Dues and subscriptions	3,624
Depreciation and amortization	3,318
Telephone and postage	2,471
Investment loss	2,346
Office expenses, printing, and duplication	1,239
Regulatory fees	994
Other	2,274
Total expenses	<u>826,342</u>
Income before income taxes	32,816
Income taxes (state franchise tax)	<u>(720)</u>
Net income	<u>\$ 32,096</u>

See notes to financial statements.

WESTVIEW SECURITIES INC.

Statement of Changes in Stockholder's Equity

Year Ended December 31, 2001

	<i>Common Stock</i>		<i>Retained</i>	
	<i>Shares</i>	<i>Amount</i>	<i>Earnings</i>	<i>Total</i>
Balance, December 31, 2000	100	\$25,000	\$449,271	\$474,271
Net income	<u>-</u>	<u>-</u>	<u>32,096</u>	<u>32,096</u>
Balance, December 31, 2001	<u>100</u>	<u>\$25,000</u>	<u>\$481,367</u>	<u>\$506,367</u>

See notes to financial statements.

WESTVIEW SECURITIES INC.

Statement of Cash Flows

Year Ended December 31, 2001

Cash flows from operating activities	
Net income	\$ 32,096
Adjustments to reconcile net income to net cash from operating activities	
Depreciation and amortization	3,318
Investment loss	2,346
Changes in operating assets and liabilities	
Prepaid expenses	<u>190</u>
Net cash from operating activities	<u>37,950</u>
Cash flows from investing activities	
Net investment in securities	<u>105,885</u>
Net increase in cash	143,835
Cash, beginning of year	<u>117,621</u>
Cash, end of year	<u>\$261,456</u>
Supplemental disclosure of cash flow information:	
Income taxes paid	<u>\$ 720</u>

See notes to financial statements.

WESTVIEW SECURITIES INC.

Notes to Financial Statements

1. THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

The Company. Westview Securities Inc. (the "Company") is a registered broker-dealer licensed by the United States Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers and the Securities Investor Protection Corporation. The Company provides investment banking services for established and emerging companies primarily in Southern California. These services include consultation and assistance with private and public offerings of equity and debt securities, mergers, acquisitions, divestitures, joint ventures, and other corporate finance transactions.

Accounting Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenue recognition. Transaction fees are recognized as revenue upon completion of the transaction process. Advisory and consulting fees are recognized as the related services are rendered. Nonrefundable retainers are recognized when received. Costs connected with transaction fees are expensed as incurred.

Investments. Marketable securities are stated at market value, based on quoted market prices. Non-marketable securities are stated at cost.

Furniture and equipment. Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets (3-5 years).

Income taxes. The Company has elected S corporation status under the state and federal tax laws. Accordingly, income or losses pass through to the Company's stockholder, and no provision for federal income taxes has been reflected in the accompanying financial statements. State income taxes have been provided at the reduced rate applicable to S corporations.

Concentration of Credit Risk. The Company invests excess cash in money market accounts which are not insured. No losses have been experienced on these accounts. Management believes that any potential credit losses would be minimal and, accordingly, no reserve for such losses has been established.

2. PENSION AND PROFIT SHARING PLANS

Profit sharing plan. The Company has a discretionary profit sharing plan which is administered by the Company. To become eligible for the plan, employees must complete one quarter year of service and be at least 21 years of age. Company contributions are determined by the Board of Directors and vest immediately. Allocation of contributions to plan participants is based on compensation levels. Subject to limitations of the Internal Revenue Code, distributions may occur upon termination, death, or retirement at age 55. During 2001, the Company contributed \$18,000 to the profit sharing plan.

Pension plan. The Company has a money purchase pension plan which is administered by the Company. To become eligible for the plan, employees must complete one quarter year of service and be at least 21 years of age. Company contributions are determined by the Board of Directors and vest immediately. Allocation of contributions to plan participants is based on compensation levels. Subject to limitations of the Internal Revenue Code, distributions may occur upon termination, death, or retirement at age 55. During 2001, the Company contributed \$17,000 to the pension plan.

3. NET CAPITAL REQUIREMENTS

Under Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital (as defined) and a ratio of aggregate indebtedness to net capital (as defined) not exceeding 15 to 1.

At December 31, 2001, the Company had no aggregate indebtedness. The basic concept of the Rule is liquidity, its object being to require a broker-dealer in securities to have at all times sufficient liquid assets to cover its current indebtedness. At December 31, 2001, the Company's net capital of \$439,559 was \$339,559 in excess of the amount required by the SEC.

4. RESERVE REQUIREMENT FOR BROKERS AND DEALERS IN SECURITIES

The Company is exempt from provisions of Rule 15c3-3 (per paragraph (k)(2)(i) of such Rule) under the Securities Exchange Act of 1934 as a merger and acquisition broker or dealer acting as an agent for the private placement of securities and engaging in mergers and acquisitions on a fee basis. The Company does not maintain physical custody of customer funds or securities. Because of such exemption the Company is not required to prepare a determination of reserve requirement for brokers and dealers in securities.

5. RELATED PARTY TRANSACTIONS

During 2001, the Company's stockholder provided office facilities to the Company at no charge.

WESTVIEW SECURITIES INC.

Schedule I Computation of Net Capital Pursuant to Rule 15c3-1

December 31, 2001

Total stockholder's equity	\$506,367
Less non-allowable assets	
Prepaid expenses	(146)
Furniture and equipment	(3,067)
Non-marketable securities	<u>(42,191)</u>
Net capital before charges on security positions	460,963
Less charges on security positions	<u>(21,404)</u>
Net capital	<u>\$439,559</u>
Total aggregate indebtedness	<u>\$ -</u>
Ratio of aggregate indebtedness to net capital	<u>N/A</u>
Minimum net capital required	<u>\$100,000</u>

Note: There are no differences between the net capital reported above and the net capital reported on Form FOCUS X-17A-5 Part IIA as of December 31, 2001.

WESTVIEW SECURITIES INC.

Schedule II Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3

December 31, 2001

Because the Company does not hold funds or securities for the account of any customers, as defined by Securities and Exchange Commission Rule 15c3-3, no reserve is required and this schedule is not applicable. Consequently, a reserve requirement was not calculated in Part II of Form X-17A-5 of this Company's FOCUS report as of December 31, 2001, and a reconciliation to that calculation is not included herein.

WESTVIEW SECURITIES INC.

**Schedule III
Information Relating to the Possession or Control Requirements
Pursuant to Rule 15c3-3**

December 31, 2001

The Company is exempt from Rule 15c3-3 under the exemptive provisions of section (k)(2)(i) and, accordingly, has no possession or control requirements.

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL STRUCTURE

Board of Directors
Westview Securities Inc.:

In planning and performing our audit of the financial statements of Westview Securities Inc. (the "Company") for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we 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(a)(11) and in complying with the conditions of exemption from Rule 15c3-3. We did not review 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 or in complying with the requirements for prompt payment of 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 an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the 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 the preparation of financial statements in conformity 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 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 a material weakness as defined above.

We understand that the 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 on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives. In addition, the Company was in compliance with the exemptive provisions of Rule 15c3-3 at December 31, 2001, and, further, no facts came to our attention indicating that the Company was not in compliance with such conditions during the year ended December 31, 2001.

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

Bous & Farnington PC

January 10, 2002

WESTVIEW SECURITIES INC.

**Financial Statements
and
Independent Auditor's Report
Year Ended December 31, 2001**