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

BB 9/4

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

SEC FILE NUMBER  
8-52522

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 7/1/01 AND ENDING 6/30/02  
MM/DD/YY MM/DD/YY

RECEIVED  
SEP 27 2002  
SECTION 165

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: NEWPORTX.COM

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

3972 BARRANCA PKWY, SUITE J644  
(No. and Street)

IRVINE  
(City)

CA  
(State)

92606  
(Zip Code)

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

EYAL SHACHAR

(949) 475-5652  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

BARON ACCOUNTANCY CORPORATION, CPA'S  
(Name - if individual, state last, first, middle name)

1470 JAMBOREE ROAD  
(Address)

NEWPORT BEACH  
(City)

CA  
(State)

92660  
(Zip Code)

CHECK ONE:

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

PROCESSED

SEP 19 2002

**FOR OFFICIAL USE ONLY**  
THOMSON FINANCIAL

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

OATH OR AFFIRMATION

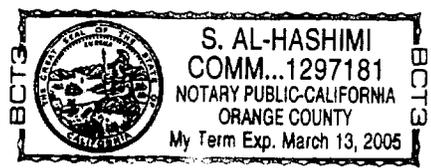
I, EYAL SHACHAR, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NEWPORT X.COM, as of JUNE 30, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

SUBSCRIBED AND SWORN TO BEFORE ME  
THIS 23 DAY OF August, 2002

[Signature]  
NOTARY PUBLIC

[Signature]  
Signature  
president  
Title

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

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

NEWPORTX.COM

FINANCIAL STATEMENTS  
AND  
AUDITOR'S REPORT

\* \* \*

JUNE 30, 2002

BARON ACCOUNTANCY CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS



**BARON ACCOUNTANCY CORPORATION**  
**CERTIFIED PUBLIC ACCOUNTANTS**

1470 Jamboree Road  
Newport Beach, CA 92660  
TEL: (949) 640-0588  
FAX: (949) 640-6003

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
NewportX.com

We have audited the accompanying statement of financial condition of NewportX.com as of June 30, 2002 and the related statements of income, 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is 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 NewportX.com as of June 30, 2002 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Baron Accountancy Corporation*

August 9, 2002



NEWPORTX.COM  
STATEMENT OF INCOME  
FOR THE YEAR ENDED JUNE 30, 2002

REVENUES	
Commissions	\$       76,543
EXPENSES	<u>73,784</u>
INCOME BEFORE INCOME TAX EXPENSE	2,759
INCOME TAX EXPENSE	<u>(800)</u>
NET INCOME	<u>\$       1,959</u>

See accompanying notes to the financial statements.

NEWPORTX.COM  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>
Balances at June 30, 2001	\$6,000	\$15,000	(\$10,810)
Net Income			1,959
Balances at June 30, 2002	<u>\$6,000</u>	<u>\$15,000</u>	<u>(\$8,851)</u>

See accompanying notes to the financial statements.

NEWPORTX.COM  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	\$ 1,959
Adjustments to reconcile net income to net cash used by operating activities:	
Increase in due from related company	(2,500)
Decrease in accounts payable	<u>(10,000)</u>
Net cash flow used by operating activities	(10,541)
CASH, at beginning of year	<u>20,990</u>
CASH, at end of year	<u><u>\$ 10,449</u></u>

See accompanying notes to the financial statements.

NEWPORTX.COM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 1 – THE COMPANY

The company was incorporated in California on November 17, 1999 and it is a wholly-owned subsidiary of Newport Exchange Holdings, Inc.

On September 5, 2000, the Company was accepted for membership in the National Association of Security Dealers, Inc. (NASD) as a broker-dealer. The Company is authorized to retail corporate equity securities, listed and unlisted, and to operate as a put and call broker-dealer.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Commissions received-Revenues are commissions received from another broker-dealer for referrals made to it. The Company has not commenced its broker-dealer retail operations to the general public as of June 30, 2002.

Use of estimates - The preparation of a financial statement 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 statement. Actual results could differ from those estimates.

Concentration of credit risks – The Company maintains its cash account in one financial institution. Accounts in the financial institution are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2002, the cash balance did not exceed the FDIC limit.

NOTE 3 – INCOME TAXES

Income tax expense consists of the current year minimum California Franchise tax. At June 30, 2002, the Company has loss net operating loss carryforwards totaling \$10,810 and \$9,052 for federal and state purposes, respectively, that may be offset against taxable income. The net operating loss carryforwards begin to expire in the year 2019 and 2004 for federal and state purposes, respectively.

NOTE 4 – COMPUTATION OF NET CAPITAL

Total stockholder's equity	\$12,149
Deduct stockholder's equity not allowable for net capital	<u>-0-</u>
Net Capital	<u>\$12,149</u>

NEWPORTX.COM  
COMPUTATION OF NET CAPITAL  
UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION  
JUNE 30, 2002

NET CAPITAL

Total stockholder's equity	\$12,149
Deduct stockholder's equity not allowable for net capital	<u>0</u>
Net Capital	<u><u>\$12,149</u></u>

COMPUTATION OF NET CAPITAL REQUIREMENT

Minimum net capital required	\$5,000
Net capital per above	<u>12,149</u>
Excess net capital	<u><u>\$7,149</u></u>

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital as reported in Company's FOCUS report	\$21,000
Audit adjustments-	
Net current year income and expenses not previously recorded	1,959
Prior year accumulated net loss	<u>(10,810)</u>
Net capital per above	<u><u>\$12,149</u></u>

Schedule I