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SECURITIES MISSION  
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Washington, D.C. 20549

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

RECEIVED  
SEC MAIL  
SEC FILE NUMBER  
FEB 28 2003  
153  
SECTION  
28830

**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 JANUARY 1, 2002 AND ENDING DECEMBER 31, 2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

RAINBOW INTERNATIONAL EQUITIES INC

OFFICIAL USE ONLY  
FIRM ID. NO.

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

43-01 21st STREET

(No. and Street)

LONG ISLAND CITY,

NY

11101

(City)

(State)

(Zip Code)

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

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

STEPHEN SUN, CPA

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

109 LAFAYETTE STREET, SUITE C2, NEW YORK, NY 10013

(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 18 2003

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).

OATH OR AFFIRMATION

I, GREGORY YAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of RAINBOW INTERNATIONAL EQUITIES INC

DECEMBER 31, 2002, 19, 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:

Three horizontal lines for listing exceptions.

Signature of Gregory Yan, Title: PRESIDENT

Notary Public seal for Gregory Yan, Notary in New York, Commission Expires March 30, 2004

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).

**STEPHEN SUN CPA**

109 LAFAYETTE STREET, SUITE C2, NEW YORK, NY 10013

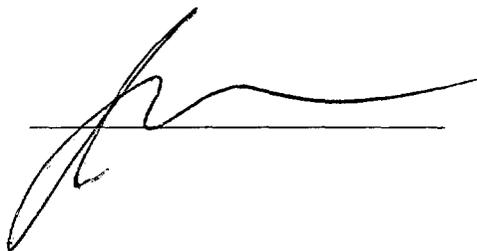
TEL: (212)966-1355 FAX: (212)966-5588

The Board of Directors  
Rainbow International Equities, Inc.  
43-01 21<sup>st</sup> Street  
Long Island, NY 11101

I have examined the statement of financial condition of Rainbow International Equities Inc. as of December 31, 2002 and the related statements of income and expense, and changes in stockholders' equity for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the aforementioned financial statements present fairly the financial position of Rainbow International Equities, Inc. at December 31, 2002, and the results of its operations, and stockholders' equity for the year then ended, in conformity with generally accepted accounting principles.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'S. Sun', is written over a horizontal line. The signature is stylized and cursive.

New York, NY

January 29, 2003

EXHIBIT A

RAINBOW INTERNATIONAL EQUITIES, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2002

ASSETS

CURRENT ASSETS

CASH	\$	24,770	
ACCOUNTS RECEIVABLE		<u>373</u>	
TOTAL CURRENT ASSETS	\$		25,143

FIXED ASSETS

FURNITURE & FIXTURE	\$	13,228	
LESS: ACCUMULATED DEPRECIATION		<u>(13,228)</u>	
NET BOOK VALUE			0
MACHINERY & EQUIPMENT		55,677	
LESS : ACCUMULATED DEPRECIATION		<u>(46,282)</u>	
NET BOOK VALUE			<u>9,395</u>
TOTAL FIXED ASSETS			9,395

OTHER ASSETS

DEPOSITS-RENT		4,300	
DEPOSITS		2,093	
DEPOSITS-CLEARING BROKER		<u>25,000</u>	
TOTAL MISCELLANEOUS ASSETS			<u>31,393</u>

TOTAL ASSETS

\$ 65,931

EXHIBIT A

RAINBOW INTERNATIONAL EQUITIES, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2002

LIABILITIES & SHAREHOLDERS' EQUITIES

CURRENT LIABILITIES

ACCRUED TAXES PAYABLE	\$	494
ACCRUED EXPENSES PAYABLE		<u>2,880</u>

TOTAL CURRENT LIABILITIES	\$	3,374
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SHAREHOLDERS' EQUITIES

CAPITAL STOCK	100,000
RETAINED EARNINGS - PRIOR YEAR	(26,060)
RETAINED EARNINGS - CURRENT YEAR	<u>(11,383)</u>

TOTAL SHAREHOLDERS' EQUITIES	<u>62,557</u>
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<u>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITIES</u>	\$	<u>65,931</u>
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EXHIBIT A-1

RAINBOW INTERNATIONAL EQUITIES, INC.  
COMPUTATION OF NET CAPITAL  
DECEMBER 31, 2002

TOTAL STOCKHOLDERS' EQUITY (EXHIBIT A)	\$ 62,557
DEDUCT: NON-ALLOWABLE ASSETS	<u>15,788</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITIONS	46,769
HAIRCUTS ON SECURITIES	<u>0</u>
NET CAPITAL	<u><u>\$ 46,769</u></u>

EXHIBIT A-2

RAINBOW INTERNATIONAL EQUITIES, INC.  
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT  
DECEMBER 31, 2002

MINIMUM NET CAPITAL REQUIRED: 6-2/3% OF AGGREGATE INDEBTEDNESS	\$ 225
MINIMUM DOLLAR NET CAPITAL REQUIREMENT	5,000
NET CAPITAL REQUIREMENT	<u>\$ 5,000</u>
NET CAPITAL - SCHEDULE A-1	\$ 46,769
LESS: NET CAPITAL REQUIREMENT	<u>5,000</u>
EXCESS NET CAPITAL	<u>\$ 41,769</u>

EXHIBIT B

RAINBOW INTERNATIONAL EQUITIES, INC.  
STATEMENT OF OPERATIONS  
DECEMBER 31, 2002

INCOME

COMMISSION INCOME	\$ 15,173
INTEREST INCOME	<u>198</u>

TOTAL INCOME

\$ 15,371

OPERATING EXPENSES

BANK CHARGES	64
DEPRECIATION EXPENSES	3,040
DUES & SUBSCRIPTIONS	100
INFORMATION SYSTEM SERVICES	2,298
INSURANCE	369
NY STATE & LOCAL CORPORATION TAX	533
OFFICE EXPENSES	620
PROFESSIONAL FEES	1,440
POSTAGE	226
REPAIRS & MAINTENANCE	394
RENT	14,389
TELEPHONE	<u>3,282</u>

TOTAL OPERATING EXPENSES

26,754

NET INCOME

\$ (11,383)

EXHIBIT C

RAINBOW INTERNATIONAL EQUITIES, INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS'S EQUITY  
YEAR ENDED DECEMBER 31, 2002

BALANCE, BEGINNING	\$ 73,940
NET INCOME FOR THE YEAR	<u>(11,383)</u>
BALANCE, ENDING	<u>\$ 62,557</u>

RAINBOW INTERNATIONAL EQUITIES, INC.  
STATEMENT OF CHANGES IN FINANCIAL POSITION-CASH BASIS  
DECEMBER 31, 2002

CASH FLOW FROM OPERATING ACTIVITIES:	
NET INCOME	\$ (11,383)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
DEPRECIATION	3,040
(INCREASE) DECREASE IN:	
DUE FROM BROKER	464
SECURITY DEPOSIT	400
ACCRUED TAXES	39
ACCRUED EXPENSES	<u>(112)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	(7,552)
CAPITAL EXPENDITURES	
ADDITIONS TO MACHINERY & EQUIPMENT	<u>(4,500)</u>
TOTAL CASH FLOW	<u>\$ (12,052)</u>
CASH AND CASH EQUIVALENTS	
AT BEGINNING OF YEAR	(36,823)
AT END OF YEAR	<u>24,770</u>
DECREASE IN CASH FLOW	<u>\$ (12,052)</u>

RAINBOW INTERNATIONAL EQUITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002

1. RAINBOW INTERNATIONAL EQUITIES, INC. WAS INCORPORATED IN THE STATE OF NEW YORK IN DECEMBER 1987. ACTUAL OPERATIONS DID NOT COMMENCE UNTIL MARCH 1988.

2. COMPUTATION OF NET CAPITAL

THERE ARE NO MATERIAL DIFFERENCES IN THE COMPUTATION OF NET CAPITAL BETWEEN THE AUDITED REPORT AND THE CORRESPONDING UNAUDITED PART II A OF THE FOCUS REPORT.

3. RESERVE REQUIREMENTS

THE COMPANY IS EXEMPT FROM THE RESERVE REQUIREMENTS OF 15C3 - 3 UNDER K (2) (B) OF THE SECTION.

4. ACCOUNTING SYSTEM

THERE WERE NO MATERIAL INADEQUACIES IN THE FINANCIAL RECORD KEEPING AND ACCOUNTING PROCEDURES FOLLOWED BY THE COMPANY.