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

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

SEC MAIL RECEIVED
MAR 03 2003
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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 01/01/2002 AND ENDING 12/31/2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Lexit Capital, LLC

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

70 Hudson Street

OFFICIAL USE ONLY

34048

FIRM ID. NO.

Hoboken NJ 07030
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Gerri DeCicco (201) 610-0202
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

5 Times Square New York NY 10036
(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 20 2003

THOMSON
FINANCIAL

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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).

3/19/03

OATH OR AFFIRMATION

I, David Mack, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Lexit Capital, LLC, as of December 31, 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:

David Mack
Signature
FINOP
Title

2/21/03 David Mack
BARRY O. BERNSTEIN Barry O. Bernstein
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires June 23, 2006

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 or Creditors.
- (g) Statement of Cash Flow.
- (h) Computation of Net Capital.
- (i) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (j) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (k) 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 or Rule 15c3-3.
- (l) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (m) An Oath or Affirmation.
- (n) A copy of the SIPC Supplemental Report.
- (o) Supplemental Report of Independent Auditors on Internal Control required by SEC Rule 17a-5.
- (p) 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).

STATEMENT OF FINANCIAL CONDITION

Lexit Capital, LLC

December 31, 2002

with Report of Independent Auditors

Lexit Capital, LLC
Statement of Financial Condition

December 31, 2002

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Report of Independent Auditors

To the Member and Board of Managers of
Lexit Capital, LLC

We have audited the accompanying statement of financial condition of Lexit Capital, LLC (the "Company") as of December 31, 2002. This statement of financial condition is the responsibility of the management of the Company. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

February 24, 2003

Lexit Capital, LLC

Statement of Financial Condition

December 31, 2002

| | |
|--|---------------------|
| Assets | |
| Cash | \$ 259,054 |
| Receivables from brokers and dealers | 553,360 |
| Deposits with clearing agents | 516,153 |
| Other assets | 114,789 |
| Total assets | <u>\$ 1,443,356</u> |
| Liabilities and Member's equity | |
| Liabilities: | |
| Accounts payable, accrued expenses and other liabilities | \$ 498,473 |
| Member's equity | <u>944,883</u> |
| Total Liabilities and Member's equity | <u>\$ 1,443,356</u> |

See accompanying notes.

Lexit Capital, LLC

Notes to Statement of Financial Condition

December 31, 2002

1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

Lexit Capital, LLC, (the "Company"), is a registered broker/dealer under the Securities Exchange Act of 1934 and is a member of the NASD. The Company provides electronic brokerage services to clients by providing access to the US marketplace from a single access point. The Company's sole member is Lexit Financial Group, Inc. (the "Parent").

Penson Financial Services, Inc., ABN AMRO Incorporated, and Refco, LLC, U.S. broker-dealers, act as the Company's clearing agents, (collectively, the "clearing agents"), for its trading activities on a fully disclosed basis.

As a fully disclosed introducing Broker-Dealer, the Company has agreed to indemnify its clearing agents for losses that it may sustain from the customer accounts introduced by the Company to its clearing agents. In accordance with applicable margin lending practices, customer balances are typically collateralized by customer securities or supported by other types of recourse provisions.

The Company monitors its exposure to market and counterparty risk through the use of a variety of financial, position and credit exposure reporting and control procedures. In addition, the Company reviews the credit standing of each broker-dealer, clearing organization, customer and/or other counterparty with which it conducts business.

The Company's United Kingdom affiliate, Lexit Capital UK Limited, (the "UK Affiliate"), is authorized by the Financial Services Authority to arrange deals, give financial advice, receive orders and transmit orders in the United Kingdom passported through the European Union under the Investment Services Directive #36. The UK Affiliate solicits European institutional customers and provides technology and customer support to European institutional customers on behalf of the Company.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with maturity of three months or less.

Lexit Capital, LLC

Notes to Statement of Financial Condition (continued)

2. Summary of Significant Accounting Policies (continued)

Receivable from Brokers and Dealers

Amounts receivable from brokers and dealers represent earned commissions held by the Company's clearing agents. The clearing agents generally remit commissions to the Company within thirty days of being earned.

Deposits with Clearing Agents

Amounts represent interest bearing deposits with the Company's clearing agents.

Fair Value of Financial Instruments

All assets and liabilities which qualify as financial instruments under Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" are carried at amounts which approximate their fair value.

Use of Estimates

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

3. Income Taxes

The Company is a single member LLC and is disregarded for U.S. Federal income tax purposes. The Company's income is included in the Parent's reportable income for Federal and State income tax returns.

4. Net Capital Requirements

The Company is subject to the Uniform Net Capital requirements of the Securities and Exchange Commission (the "Commission") under Rule 15c3-1. The Commission requirements also provide that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met. At December 31, 2002, the Company had net capital of \$835,567 which was \$785,567 in excess of the amount required to be maintained at that date.

Lexit Capital, LLC

Notes to Statement of Financial Condition (continued)

5. Related Party Transactions

The Parent has provided certain services to the Company, including technology, communication, and administrative services. Costs associated with these services have been borne by the Parent. The Parent's management believes that the allocation of such costs would not materially impact the Company's financial condition or operations.

Included in accounts payable, accrued expenses and other liabilities is \$90,316 payable to the UK Affiliate related to broker commissions, technology and communications and marketing expenses.