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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

MAR 0 1 2013

| SEC FILE NUMBER |
|---|
| 8- 34790 |

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, 2012 (MM/DD/YY) AND ENDING December 31, 2012 (MM/DD/YY)

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Newport Coast Securities, Inc.

| OFFICIAL USE ONLY |
|---|
| FIRM I.D. NO. |

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

18872 MacArthur Boulevard, Suite 100
(No. and Street)

| Irvine | California | 92612 |
|---|---|---|
| (City) | (State) | (Zip Code) |

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

Kathleen McPherson 949-756-0981
(Area Code – Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Weaver Martin & Samyn, LLC
(Name – *if individual, state last, first, middle name*)

| 411 Valentine Road, Suite 300 | Kansas City | Missouri | 64111 |
|---|---|---|---|
| (Address) | (City) | (State) | (Zip Code) |

**CHECK ONE:**

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

| 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)*

SEC 1410 (06-02)

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DO 3/4/13

# Newport Coast Securities, Inc.

## Financial Statements

## December 31, 2012

**Newport Coast Securities, Inc.**
**Table of Contents**
**December 31, 2012**

## OATH OR AFFIRMATION

I, Kathleen M McPherson, 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 Coast Securities, Inc., as of December 31, 20 12, 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:

Kathleen M McPherson
Signature

President & CEO
Title

See attached
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 15c3-1 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).*

# CALIFORNIA JURAT WITH AFFIANT STATEMENT

☒ See Attached Document (Notary to cross out lines 1–6 below)
☐ See Statement Below (Lines 1–6 to be completed only by document signer[s], *not* Notary)

1 ________________________________________

2 ________________________________________

3 ________________________________________

4 ________________________________________

5 ________________________________________

6 ____________________ ____________________

Signature of Document Signer No. 1 — Signature of Document Signer No. 2 (if any)

State of California

County of Orange

CAMILLA E. REIJER
Commission # 1898802
Notary Public - California
Orange County
My Comm. Expires Aug 8, 2014

Place Notary Seal Above

Subscribed and sworn to (or affirmed) before me

on this 27th day of February 20 13,
Date Month Year

by

(1) Cathleen McPherson,
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me (.) (

(and

(2) ____________________,
Name of Signer

proved to me on the basis of satisfactory evidence to be the person who appeared before me.)

Signature ____________________
Signature of Notary Public

## *OPTIONAL*

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

| RIGHT THUMBPRINT OF SIGNER #1 | RIGHT THUMBPRINT OF SIGNER #2 |
|---|---|
| Top of thumb here | Top of thumb here |

**Further Description of Any Attached Document**

Title or Type of Document: ____________________

Document Date: ____________ Number of Pages: ______

Signer(s) Other Than Named Above: ____________________

WEAVER MARTIN & SAMYN

**Board of Directors**
**Newport Coast Securities, Inc.**
**Irvine, California**

## Report of Independent Registered Public Accounting Firm

We have audited the accompanying statement of financial condition of Newport Coast Securities, Inc. (the Company) as of December 31, 2012 and the related statements of income, changes in shareholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that are being filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Newport Coast Securities, Inc. as of December 31, 2012 and the results of its operations, changes in shareholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States.

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 and II 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. This information is the responsibility of the Company's management. 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.

Weaver Martin & Samyn

Weaver Martin & Samyn, LLC
Kansas City, Missouri
February 27, 2013

Certified Public Accountants & Consultants
411 Valentine, Suite 300
Kansas City, Missouri 64111
Phone: (816) 756-5525
Fax: (816) 756-2252

**NEWPORT COAST SECURITIES, INC.**
**STATEMENT OF FINANCIAL CONDITION**
**December 31, 2012**

**ASSETS**

| | | |
|---|---|---|
| Current assets: | | |
| Cash and equivalents, unrestricted | $ | 840,469 |
| Cash and equivalents, restricted - clearing broker deposits | | 161,802 |
| Commissions receivable | | 402,219 |
| Investments at market - securities | | 60,493 |
| Prepaid expenses | | 28,705 |
| Contract advances, current portion | | 113,559 |
| Note receivable, current portion | | 65,000 |
| Due from affiliates | | 1,199,123 |
| Total current assets | | 2,871,370 |
| Fixed assets: | | |
| Furniture, fixtures and equipment, net of accumulated depreciation of $147,140 | | 21,223 |
| Other assets: | | |
| Contract advances | | 104,164 |
| Deposits | | 8,916 |
| Total other assets | | 113,080 |
| Total assets | $ | 3,005,673 |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

| | | |
|---|---|---|
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | $ | 537,645 |
| Accrued expenses | | 543,639 |
| Accrued legal contingencies | | 204,500 |
| Total current liabilities | | 1,285,784 |
| Stockholders' Equity: | | |
| Common stock, $10 par value, 1,000 shares authorized 115 shares issued and outstanding as of December 31, 2012 | | 1,150 |
| Additional paid in capital | | 1,164,314 |
| Retained earnings | | 524,826 |
| Accumulated other comprehensive gain | | 29,599 |
| Total stockholders' equity | | 1,719,889 |
| Total liabilities and stockholders' equity | $ | 3,005,673 |

The accompanying notes are an integral part of these financial statements

**NEWPORT COAST SECURITIES, INC.**
**STATEMENT OF OPERATIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2012**

| | | |
|---|---|---|
| Revenue: | | |
| Commissions | $ | 6,855,744 |
| Investment banking fees | | 3,545,081 |
| Selling concessions | | |
| Insurance | | 2,014,198 |
| Mutual funds | | 733,501 |
| Interest and dividend income | | 9,757 |
| Managed fee accounts | | 827,943 |
| Other income | | 595,639 |
| Total revenue | | 14,581,863 |
| Direct expenses: | | |
| Commission expense | | 10,515,010 |
| Clearing charges | | 572,427 |
| Data and quote services | | 209,979 |
| Filing fees | | 97,367 |
| Other direct costs | | 62,118 |
| Total direct costs | | 11,456,901 |
| Gross profit | | 3,124,962 |
| Operating expenses | | 2,564,458 |
| Net income | $ | 560,504 |
| Other Comprehensive income (loss): | | |
| Unrealized gains (losses) on marketable securities | | - |
| Total Other Comprehensive income (loss) | | - |
| Net Comprehensive income | $ | 560,504 |

The accompanying notes are an integral part of these financial statements

**NEWPORT COAST SECURITIES, INC.**
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**
**FOR THE YEAR ENDED DECEMBER 31, 2012**

| | Common Stock | | Additional Paid-In Capital | Other Comprehensive Income | Accumulated (Deficit) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| | Share | Amount | | | | |
| Balance, December 31, 2011 | 115 | $ 1,150 | $ 1,164,314 | $ 29,599 | $ 39,322 | $ 1,234,385 |
| Dividends paid | - | - | - | - | (75,000) | (75,000) |
| Other comprehensive income (loss) | - | - | - | - | - | - |
| Net Income | - | - | - | - | 560,504 | 560,504 |
| Balance, December 31, 2012 | 115 | $ 1,150 | $ 1,164,314 | $ 29,599 | $ 524,826 | $ 1,719,889 |

The accompanying notes are an integral part of these financial statements

## NEWPORT COAST SECURITIES, INC.
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2012

| | | |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net Income | $ | 560,504 |
| Adjustments to reconcile net income to | | |
| net cash provided (used) by operating activities: | | |
| Depreciation | | 10,220 |
| Changes in operating assets and liabilities | | |
| Commission receivables | | 124,311 |
| Contract Advances | | (32,501) |
| Prepaid expenses | | 13,595 |
| Accounts payable | | 198,712 |
| Accrued legal reserve | | (126,729) |
| Deferred revenue | | (6,042) |
| Accrued expenses | | (342,255) |
| Net cash provided (used) by operating activities | | 399,815 |
| **Cash flows from investing activities** | | |
| Purchase of fixed assets | | (3,000) |
| Due from affiliates | | (727,423) |
| Proceeds (purchase) of investments, net | | (4,629) |
| Payments received on note receivables | | 69,940 |
| Issuance of note receivables | | (65,000) |
| Net cash provided (used) by investing activities | | (730,112) |
| **Cash flows from financing activities** | | |
| Dividends paid | | (75,000) |
| Net cash provided (used) by financing activities | | (75,000) |
| Net increase in cash | | (405,297) |
| Cash – January 1, 2012 | | 1,407,568 |
| Cash – December 31, 2012 | $ | 1,002,271 |
| Supplemental disclosures: | | |
| Interest paid | $ | 10,174 |
| Income taxes paid | $ | - |

The accompanying notes are an integral part of these financial statements

## NEWPORT COAST SECURITIES, INC.
## STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
## FOR THE YEAR ENDED DECEMBER 31, 2012

There were no liabilities subordinated to the claims of creditors at the beginning of, end of, or at any time during the year ended December 31, 2012.

**NEWPORT COAST SECURITIES, INC.**
**NOTES TO FINANCIAL STATEMENTS**
**DECEMBER 31, 2012**

## Note 1 – Nature of Business

Newport Coast Securities, Inc. was incorporated in the State of California on March 6, 1980 and is registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA"). All the common stock of the Company is owned by Rubicon Financial Incorporated (the "Parent").

## Note 2 – Summary of Accounting Policies

### 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 revenue and expenses during the reporting period. Actual results could differ from those estimates, but management does not believe such differences will materially affect the Company's financial position, results of operations, or cash flows.

### Fair value of financial instruments

At December 31, 2012, our financial instruments consist of cash, accounts receivable and accounts payable. Interest rates currently available to us for long-term debt with similar terms and remaining maturities are used to estimate fair value of such financial instruments. Accordingly, since interest rates on substantially all of our debt are variable, market based rates, the carrying amounts are a reasonable estimate of fair value. See note 7 for further details.

### Revenue recognition

The Company recognizes commissions from its broker services based on a settlement date basis. Fees billed and collected before services are performed are included in deferred revenue. Expenses are recorded when the obligation is incurred.

### Cash and cash equivalents

The Company maintains cash balances in interest and non-interest-bearing accounts. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Available-for-sale securities
The Company classifies its marketable equity securities as available-for-sale and carries them at fair market value, with the unrealized gains and losses included in the determination of comprehensive income and reported in stockholders' equity.

Property and Equipment
Property and equipment is stated at cost, and is depreciated over estimated useful lives using primarily the straight line method for financial reporting purposes. Major renewals and betterments are capitalized, and maintenance and repairs, which do not improve or extend the lives of the respective asset are charged against earnings in the period in which they are incurred. Useful lives range from three to five years. We evaluate equipment at least annually for impairment. No such impairment was needed during the year ended December 31, 2012. Depreciation expense was $10,220 for the year ended December 31, 2012.

Recent issued accounting standards
The Company has evaluated all new accounting pronouncements as of the date these financial standards were issued and determined that none have or will have a material impact on the financial statements or disclosures.

**Note 3 – Net capital requirement**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital, as defined, equal to the greater of $100,000 or 6 2/3% of aggregate debt balances, as defined in the SEC's Reserve Requirement Rule (Rule 15c3-3). At December 31, 2012, the Company had net capital of $142,211 and was $42,211 in excess of its required net capital of $100,000.

**Note 4 – Cash and equivalents, restricted – clearing broker deposits**

The Company has entered into securities clearing agreements with APEX Clearing Corporation and Wedbush Morgan Securities, Inc. Pursuant to these agreements, the Company is required to maintain a deposit account with each respective clearing firm in amounts determined based on the Company's transaction volume. As of December 31, 2012, the Company maintained deposits of $100,390 and $61,412, respectively.

**Note 5 – Commissions receivable**
Amounts receivable from clearing organizations and others at December 31, 2012 consisted of the following:

| | |
|---|---|
| APEX Clearing Corporation | $ 269,883 |
| Wedbush Morgan Securities | 132,336 |
| | $ 402,219 |

## Note 6 – Income taxes

Accounting Standard No. 109, "Accounting for Income Taxes") for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

The Company is included in the consolidated federal and state tax returns filed by Rubicon Financial Incorporated, its parent company. As of December 31, 2012, there is a net operating loss carryforward of approximately $13,000,000 to offset any current and future income.

The provision for income taxes consists of the following:

| | 2012 |
|---|---|
| Current tax | $ 191,000 |
| Change in valuation allowance | (191,000) |
| | $ — |

Reconciliation between income taxes at the statutory tax rate and the actual income tax provision for continuing operations follows:

| | |
|---|---|
| Statutory tax rate | 34% |
| Change in Valuation allowance | (34%) |
| Income tax provision | -% |

## Note 7 – Fair Value Measurements

The Company adopted ASC Topic 820-10 to measure the fair value of certain of its financial assets required to be measured on a recurring basis. The adoption of ASC Topic 820-10 did not impact the Company's financial condition or results of operations. ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC Topic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability. The three levels of the fair value hierarchy under ASC Topic 820-10 are described below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Valuations based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 – Valuations based on inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The Company has no level 3 assets or liabilities.

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of December 31, 2012:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Cash | $ 1,002,271 | - | $ 1,002,271 |
| Accts receivable | - | 402,219 | 402,219 |
| Investments | - | 60,493 | 60,493 |
| Note receivable | - | 65,000 | 65,000 |
| Accts payable | - | 537,645 | 537,645 |
| Accrued expenses | - | 748,139 | 748,139 |

## Note 8 – Commitments, contingencies, and guarantees

In October of 2009, the Company entered into a long-term lease agreement for office space in Irvine, California commencing January 1, 2010 and ending on June 30, 2015. In December of 2012, the Company entered into a long-term lease agreement for office space in New York, New York commencing January 1, 2013 and ending on December 31, 2014. The annual lease payments due pursuant to these agreements are as follows:

| Year Ending December 31, | Amount |
|---|---|
| 2013 | $ 317,938 |
| 2014 | 324,232 |
| 2015 | 114,398 |
| Total | $ 756,568 |

As of December 31, 2012, the Company is a party to several litigation events and has accrued a legal reserve of $204,500. Management feels it is highly unlikely that any expense associated with the current litigation would exceed the amount accrued.

As of December 31, 2012, there are no other commitments, contingencies, or guarantees other than as noted above.

## Note 9 – Related Party Transactions

As of December 31, 2012, the Company has an amount due from Rubicon Financial Incorporated, it's parent company, of $1,199,123. This amount does not bear interest.

## Note 10 – Stockholders' equity

As of December 31, 2012, the Company has 115 shares of its $10 par value common stock issued and outstanding. All 115 shares are owned by Rubicon Financial Incorporated. There are 1,000 shares authorized.

As of December 31, 2012, there are no outstanding options or warrants.

## Note 11 – Investments at market

The Company classifies its marketable equity securities as available-for-sale and carries them at fair market value, with the unrealized gains and losses included in the determination of comprehensive income and reported in stockholders' equity. Losses that the Company believes are other-than-temporary are realized in the period that the determination is made. As of December 31, 2012, the Company believed that all unrealized losses and gains are not other-than-temprorary based on market conditions and the volatility of investments being held. All unrealized losses and gains will be excluded from earnings and reported in other comprehensive income until realized. None of the investments have been hedged in any manner.

**As of December 31, 2012:**
The Company held twelve investments in publically-traded common stock in various corporations and one investment in a REIT with a total aggregate fair market value, based on published market prices, of $60,493. The accumulated unrealized gain on these securities is $29,599 and is shown as accumulated other comprehensive gain on these financial statements. Of the investments, one was in a loss position for a total aggregate unrealized loss of $2,497 and had been in a loss position for more than twelve months.

## Note 12 – Computation of determination of reserve requirements (Rule 15c3-3)

A computation of reserve requirements is not applicable to the Company as the Company qualifies for an exemption under Rule 15c3-3(k)(2)(ii). All customer transactions are cleared through another broker-dealer on a fully disclosed basis.

## Note 13 – Information relating to possession or control requirements (Rule 15c3-3)

Information relating to possession or control requirements is not applicable to the Company as the Company qualifies for exemption under Rule 15c3-3(k)(2)(ii). All customer transactions are cleared through another broker-dealer on a fully disclosed basis.

## Note 14 – Subsequent events

The Company has evaluated all subsequent events through February 27, 2013, the date the financial statements were issued, and determined that there are no subsequent events to record or disclose.

## Supplemental Information

## Pursuant to Rule 17a-5 of the Securities Exchange Act of 1934

NEWPORT COAST SECURITIES, INC.
SCHEDULE 1 - SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

| | | |
|---|---|---|
| Operating expenses: | | |
| Bank fees | $ | 2,739 |
| Conference expenses | | 128,566 |
| Dues and subscriptions | | 6,340 |
| Equipment rental | | 19,330 |
| Insurance | | 43,414 |
| Interest | | 10,174 |
| Licenses and permits | | 3,089 |
| Meals & entertainment | | 2,041 |
| Office expense | | 31,347 |
| Postage and delivery | | 28,131 |
| Rent | | 167,351 |
| Storage | | 6,396 |
| Telephone | | 55,866 |
| Travel | | 30,027 |
| Depreciation | | 10,220 |
| Payroll and payroll taxes | | 1,469,800 |
| Professional fees | | 484,273 |
| Other expenses | | 65,354 |
| Total expenses | $ | 2,564,458 |

The accompanying notes are an integral part of these financial statements

NEWPORT COAST SECURITIES, INC.
SCHEDULE II – COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF
THE SECURITIES EXCHANGE COMMISSION
December 31, 2012

| | | |
|---|---|---|
| **Net Capital:** | | |
| Total stockholders' equity | $ | 1,719,889 |
| Deductions and/or charges: | | |
| Non-allowable assets: | | |
| Property, plant and equipment, net | | (21,223) |
| Due from affiliate | | (1,199,123) |
| Prepaid expenses | | (28,705) |
| Deposits | | (8,916) |
| Note receivable | | (65,000) |
| Securities not readily marketable | | (31,852) |
| Contract advances | | (217,723) |
| Net capital before haircuts on securities positions | | 147,347 |
| Haircuts on securities: | | |
| securities | | 4,296 |
| undue concentrations | | 840 |
| Total haircuts on securities | | 5,136 |
| **Net capital** | $ | 142,211 |
| **Computation of Alternative Net Capital Requirement:** | | |
| Minimum dollar net capital requirement of reporting broker-dealer | $ | 100,000 |
| 6-2/3% of net aggregate indebtedness | $ | 72,086 |
| Net capital requirement (greater of above amounts) | $ | 100,000 |
| Excess net capital | $ | 42,211 |
| Net capital less 120% of minimum dollar net capital requirement | $ | 22,211 |
| **Computation of aggregate indebtedness:** | | |
| Total A.I. liabilities | $ | 1,081,284 |
| Percentage of aggregate indebtedness to net capital | | 760.34% |
| **Reconciliation:** | | |
| Net capital computation per Company's Computation | $ | 142,211 |
| Variance: | | |
| None | | 0 |
| Net capital per audited report | $ | 142,211 |

**Statement pursuant to Rule 17a-5(d)(4)**

A reconciliation of the company's computation of net capital as reported was prepared to show that no material differences exist between the Company's computation of net capital included in its unaudited Form X-17A-5 Part II and the computation contained herein.

**NEWPORT COAST SECURITIES, INC.**
**SCHEDULE III – COMPUTATION OF DETERMINATION OF RESERVE REQUIREMENTS AND INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**
**December 31, 2012**

The Company did not make a computation for determining the reserve requirement or supply information relating to the possession or control requirements pursuant to Rule 15c3-3 as they are exempt pursuant to subparagraph (k)(2)(ii) of Rule 15c3-3.

# Independent Auditor's Report on Internal Accounting Control Required by SEC Rule 17a-5

WEAVER MARTIN & SAMYN

**Report of Independent Registered Public Accounting Firm**
**on Internal Control Structure**
**Required by SEC Rule 17a-5**

To the Board of Directors
Newport Coast Securities, Inc.
Irvine, California

In planning and performing our audit of the financial statements of Newport Coast Securities, Inc. (the "Company") as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included test of compliance with such practices and procedures 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 for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customers securities, 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 for securities under Section 8 of Federal Reserve Regulation T of the Board of Governments of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements 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 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.

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Because of inherent limitations in internal control and 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purposed described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We 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 our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2012, to meet the SEC's objectives.

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

Weaver Martin & Samyn

Weaver Martin & Samyn, LLC
Kansas City, Missouri
February 27, 2013

# Newport Coast Securities, Inc.

Schedule of Assessment and Payments to the SIPC

For the Year Ended December 31, 2012

# WEAVER MARTIN & SAMYN

Board of Directors
Newport Coast Securities, Inc.
Irvine, California

**Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's SIPC Assessment Reconciliation**

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Transitional Assessment Reconciliation Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the Year Ended December 31, 2012, which were agreed to by Newport Coast Securities, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences.

2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2012, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2012 noting no differences.

3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences.

4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Weaver Martin & Samyn, LLC
Weaver Martin & Samyn
Kansas City, Missouri
February 26, 2013

Certified Public Accountants & Consultants
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**Newport Coast Securities, Inc.**
**Schedule of Assessment and Payments to the SIPC**
**For the Year Ended December 31, 2012**

| | | | |
|---|---|---|---|
| Total Revenue | | | |
| January to June 2012 | 7,970,326 | | |
| July to December 2012 | 6,611,537 | | |
| | | | 14,581,863 |
| Additions | | | |
| January to June 2012 | 16,446 | | |
| July to December 2012 | 2,260 | | |
| | | 18,706 | 18,706 |
| Direct Expenses | | | |
| January to June 2012 | 3,923,987 | | |
| July to December 2012 | 3,821,298 | | |
| | | 7,745,285 | |
| Interest Expense | | | |
| January to June 2012 | 345 | | |
| July to December 2012 | 9,828 | | |
| | | 10,173 | |
| Total Deductions | | | 7,755,458 |
| SIPC Net Operating Revenues | | | 6,845,111 |
| General Assessment @ .0025 | | | 17,113 |
| Total due for the year ended December 31, 2012 | | | $ 17,113 |
| July 27, 2012 payment to SIPC | | | 10,156 |
| February 27,2013 payment to SIPC | | | 6,957 |
| Total paid for the year ended December 31, 2012 | | | $ 17,113 |