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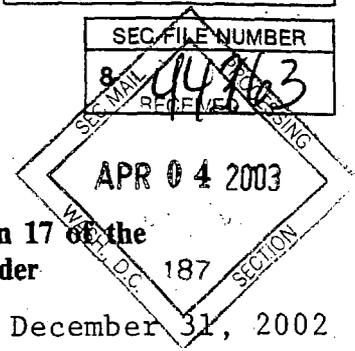
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**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:

Akin Bay Company, LLC

OFFICIAL USE ONLY

FIRM ID. NO.

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

780 Third Avenue

(No. and Street)

New York

NY

10017

(City)

(State)

(Zip Code)

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

James B. Rybakoff

(212) 583-9800

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Feuer, Orlando, Pye & CPA's L.L.P.

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

117 East 29th Street, 6th Floor New York, NY

10016

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

**PROCESSED**  
JUN 02 2003

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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, James B. Rybakoff, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Akin Bay Company, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*James B. Rybakoff*  
\_\_\_\_\_  
Signature  
President & CEO  
\_\_\_\_\_  
Title

*[Signature]*  
\_\_\_\_\_  
Notary Public  
ANTHONY I. INDELICATO  
Notary Public, State Of New York  
No. 011N6063303  
Qualified In Kings County  
Commission Expires Aug. 27, 2005

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).

**AKIN BAY COMPANY, L.L.C.**

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# **FEUER, ORLANDO, PYE & CO. LLP**

**CERTIFIED PUBLIC ACCOUNTANTS**

*(A Partnership Including Professional Corporations)*

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**Partners of Akin Bay Company, L.L.C.  
New York, New York**

**We have audited the accompanying balance sheet of Akin Bay Company, L.L.C. at December 31, 2002 and the related statements of income, members' capital 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 have 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 Akin Bay Company, L.L.C. at December 31, 2002 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 examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on page 10 is presented for the purpose of additional analysis and is not required as part of the basic financial statements, but as 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 examination 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 and in conformity with the rules of the Securities and Exchange Commission.**

*Feuer, Orlando, Pye & Co. LLP*

**New York, New York  
March 28, 2003**

**AKIN BAY COMPANY, L.L.C.  
BALANCE SHEET  
DECEMBER 31, 2002**

**ASSETS**

Cash and equivalents	\$ 89,808
Accounts receivable, trade	116,250
Prepaid expenses	16,991
Expense reimbursements and other receivables	<u>2,553</u>
<b>Total Current Assets</b>	<b><u>225,602</u></b>
Property and Equipment	
Less: accumulated depreciation of \$107,380 (Note 2)	23,780
Other Assets	
Investment: NASD warrants	3,300
Security deposit	<u>16,054</u>
<b>Total Assets</b>	<b><u>\$268,736</u></b>

**LIABILITIES AND PARTNERS' CAPITAL**

<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 35,171
<b>Partners' Capital</b>	<b><u>233,565</u></b>
<b>Total Liabilities and Partners' Capital</b>	<b><u>\$268,736</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**AKIN BAY COMPANY, L.L.C.**  
**STATEMENT OF LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>REVENUE</b>	
Consulting fees	\$ 612,317
<b>EXPENSES</b>	
Compensation - and related expenses	314,881
Office, general and administrative	213,462
Rent and occupancy costs	184,332
Professional fees	43,951
Regulatory fees	1,677
Depreciation and amortization	<u>6,923</u>
Total expenses	<u>765,226</u>
Loss from operations	(152,909)
<b>OTHER INCOME</b>	
Dividends	714
Interest	<u>2,702</u>
	<u>3,416</u>
Net loss	<u><u>\$ (149,493)</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**AKIN BAY COMPANY, L.L.C.  
STATEMENT OF PARTNERS' CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Partners' Capital, beginning of year</b>	<b><u>\$295,634</u></b>
<b>Net loss for year</b>	<b>(149,493)</b>
<b>Withdrawals</b>	<b>( 14,250)</b>
<b>Redemption of partner's interest</b>	<b>( 46,826)</b>
<b>Capital contribution</b>	<b><u>148,500</u></b>
 <b>Partners' Capital, end of year</b>	 <b><u>\$233,565</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**AKIN BAY COMPANY, L.L.C.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Cash flows from operating activities:</b>	
Net loss	\$(149,493)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	6,923
Increase in accounts receivable, trade	( 6,250)
Decrease in expense reimbursements receivable	35,534
Decrease in loans to employee	59,915
Increase in accounts payable & accrued expenses	7,118
Increase in prepaid expenses	<u>( 16,991)</u>
Net cash used by operating activities	( 63,244)
<b>Cash flows from investing activities:</b>	
Investment in property and equipment	( 6,655)
Net cash used by investing activities	<u>( 6,655)</u>
<b>Cash flows from financing activities:</b>	
Withdrawals by partners	( 14,250)
Redemption of partner's interest	( 46,826)
Contribution by partner	<u>148,500</u>
Net cash provided by financing activities	<u>87,424</u>
Increase in cash for year	17,525
Cash, beginning of year	<u>72,283</u>
Cash, end of year	<u>\$ 89,808</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**AKIN BAY COMPANY, L.L.C.  
NOTES TO FINANCIAL STATEMENTS**

1. Akin Bay Company, L.L.C. (the "Company") is a limited liability company pursuant to the adoption and filing of an operating agreement in the State of New York effective June 19, 1996. The Company is primarily engaged in providing investment advisory services to its clients. The Company is registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD").

The Company maintains its accounting records on the accrual basis.

Furniture and equipment are stated at cost less accumulated depreciation, which is calculated using the straight-line method over the useful lives of the related assets, primarily five to ten years. Leasehold improvements and lease acquisition costs are amortized over the lease terms using the straight-line method.

Provisions for federal and state income taxes have not been recorded, as the Company is taxed as a partnership.

**Use of Estimates:**

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expense during the reported period. Actual results could differ from those estimates.

2. Property and equipment:

At December 31, 2002, the Company's fixed assets and related accumulated depreciation consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Computer & office equipment	\$ 85,736	\$ 65,910	\$19,826
Office furniture	33,233	29,279	3,954
Leasehold improvements	<u>6,629</u>	<u>6,629</u>	<u>0</u>
Subtotal	125,598	101,818	23,780
 Lease acquisition costs	 <u>5,562</u>	 <u>5,562</u>	 <u>0</u>
	<u>\$131,160</u>	<u>\$107,380</u>	<u>\$23,780</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

3. Bank line of Credit:

The Company has arranged for a \$32,000 line of credit, none of which has been drawn as of December 31, 2002. A rate of 9.5%, interest only is charged monthly. Principal is repayable on demand after one year, but is eligible for renewal at bank's option. This credit facility is personally guaranteed by a member of the Company.

4. Commitments:

The Company has commitments under long-term operating leases for office space and office equipment, none extending beyond five years. The office lease, expiring September 30, 2006 is personally guaranteed, by one of the partners and is partially secured by a security deposit. Total rental expense on all operating leases was \$189,889 for 2002.

Minimum future rental commitments with lease terms in excess of one year aggregate to \$724,187 as of December 31, 2002 and are payable as follows:

2003	190,092
2004	191,467
2005	195,216
2006	147,412

Concentrations:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, accounts receivable, and marketable securities. The Company's cash balances exceeded the S.I.P.C. insured limit at certain times during the year.

6. Regulatory Requirement:

As a SEC registrant member of NASD, the Company is subject to certain provisions of the Securities Act of 1934, including Rule 15c3-1. This rule requires that the Company maintain minimum net capital balances and a certain ratio for aggregate indebtedness to net capital, both as defined. The Company was in compliance with the provisions of this rule at December 31, 2002.

**AKIN BAY COMPANY, L.L.C.**  
**Computation of Net Capital, Pursuant to Uniform**  
**Net Capital Rule 15c3-1**  
**December 31, 2002**

<b>Total partner's capital</b>	<b>\$ 233,565</b>
<b>Less non-allowance assets:</b>	
Furniture and equipment, net	( 23,780)
Accounts receivable trade	( 116,250)
Prepaid expenses	( 16,991)
Expense reimbursements and other receivables	( 2,553)
Investment	( 3,300)
Security deposit	<u>( 16,054)</u>
<b>Net capital</b>	<b>54,637</b>
<b>Minimum net capital requirement</b>	<b>( 5,000)</b>
<b>Net capital excess</b>	<b>\$ <u>49,637</u></b>

Ratio of aggregate indebtedness to net capital as of December 31, 2002	1.4113:1
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Differences exist between the above computation and the Company's corresponding unaudited Form XI 7a-5 Par IIA filing at December 31, 2002 which are deemed immaterial.

Partners Capital - unaudited filing	<b>\$ 239,689</b>
Add : Increase in cash	67,938
Less: Decrease in employee loan and other receivables	( 67,613)
Less: Decrease in equipment, net (primarily due to depreciation not accurately recorded)	( 2,869)
Less: Increase in accrued expenses and accounts payable	( 20,871)
Add: Increase in prepaid expenses	<u>16,991</u>
<b>Partners capital</b>	<b>\$ <u>233,565</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

# **FEUER, ORLANDO, PYE & CO. LLP**

**CERTIFIED PUBLIC ACCOUNTANTS**

*(A Partnership Including Professional Corporations)*

## **ACCOUNTANTS' SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL**

**To the Partners of Akin Bay Company, L.L.C.:**

In planning and performing our audit of the financial statements of Akin Bay Company, L.L.C. for the year ended December 31, 2002, 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 Akin Bay Company, L.L.C. 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 the procedures for determining compliance with the exemptive provisions of 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 for securities of 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 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 material weaknesses as defined above.

We understand that 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, 2002 to meet the Commission's objectives.

In addition, our review indicated that Akin Bay Company, L.L.C. was in compliance with the conditions of exemption from Rule 15c3-3 pursuant to paragraph K(2)(b) as of December 31, 2002 and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the use of management, the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. and should not be used for any other purpose.

*Fever, Orlando, Pyle & Co. LLP*

New York, New York  
March 25, 2003