

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

SEC MAIL RECEIVED  
FEB 25 2004  
WASHINGTON, DC 20540  
SECTION 155

SEC FILE NUMBER  
8 - 48834  
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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 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Compass Point Research & Trading, LLC

OFFICIAL USE ONLY  
FIRM ID. NO.

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

50 Rowes Wharf

(No. and Street)

Boston Massachusetts 02110  
(City) (State) (Zip Code)

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

William Lattimer

203-299-0126

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Rothstein, Kass & Company, P.C.

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

85 Livingston Avenue Roseland New Jersey 07068  
(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 16 2004  
THOMSON FINANCIAL

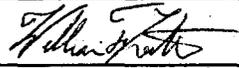
FOR OFFICIAL USE ONLY

\*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).

SW

I, William Lattimer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Compass Point Research & Trading, LLC, as of December 31, 2003, 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:

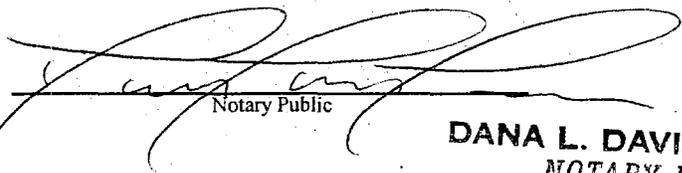
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Signature

Managing Director

Title



Notary Public

**DANA L. DAVIS-PERRONE**  
**NOTARY PUBLIC**

MY COMMISSION EXPIRES JULY 31, 2006

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.
- (o) Independent auditor's report on internal accounting control.
- (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

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

**COMPASS POINT RESEARCH & TRADING, LLC**

STATEMENT OF FINANCIAL CONDITION  
AND  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2003

# COMPASS POINT RESEARCH & TRADING, LLC

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## INDEPENDENT AUDITORS' REPORT

To the Members  
Compass Point Research & Trading, LLC

We have audited the accompanying statement of financial condition of Compass Point Research & Trading, LLC (the "Company") as of December 31, 2003. This statement of financial condition is the responsibility of the Company's management. 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 of America. 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 statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Compass Point Research & Trading, LLC as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

*Rothstein, Kass & Company, P.C.*

Roseland, New Jersey  
January 23, 2004

# COMPASS POINT RESEARCH & TRADING, LLC

## STATEMENT OF FINANCIAL CONDITION

December 31, 2003

### ASSETS

|   |    |                  |
|---|----|------------------|
| Cash  | \$ | 176,913          |
| Receivables from clearing broker, including clearing deposit of \$250,475 |    | 649,148          |
| Property, equipment and leasehold improvements, net                       |    | 240,693          |
| Other assets  |    | <u>36,761</u>    |
|   | \$ | <u>1,103,515</u> |

### LIABILITIES AND MEMBERS' EQUITY

#### Liabilities

|                                       |    |                  |
|---------------------------------------|----|------------------|
| Accounts payable and accrued expenses | \$ | 348,290          |
| Due to related party                  |    | <u>45,773</u>    |
| Total liabilities                     |    | 394,063          |
| Members' equity                       |    | <u>709,452</u>   |
|                                       | \$ | <u>1,103,515</u> |

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization and nature of operations

Compass Point Research & Trading, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD"). The Company is a distributor of the Muzea Insider Consulting Service ("Muzea"), which provides research and trading services by using qualitative and quantitative metrics to monitor insider activity of publicly traded stocks.

### 2. Summary of significant accounting policies

#### *Property, Equipment and Leasehold Improvements*

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization on the straight-line method as follows:

| <b>Assets</b>          | <b>Estimated Useful Life</b> |
|------------------------|------------------------------|
| Furniture and fixtures | 7 Years                      |
| Technology equipment   | 5 Years                      |
| Leasehold improvements | Term of lease                |

#### *Revenue and Expense Recognition from Securities Transactions*

Securities transactions and the related income and expenses are recorded on the settlement date. At December 31, 2003, there are no material differences between trade date and settlement date basis of accounting.

#### *Rent Expense*

Rent expense is recorded on a straight-line basis over the term of the lease.

#### *Income Taxes*

No provision for income taxes has been recorded as the Company is a limited liability company. Accordingly, the individual members report their share of the Company's income or loss on their income tax returns.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTES TO FINANCIAL STATEMENTS**

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**3. Property, equipment and leasehold improvements**

Details of property, equipment and leasehold improvements at December 31, 2003 are as follows:

|   |    |                |
|---|----|----------------|
| Furniture and fixtures                            | \$ | 44,932         |
| Technology equipment                              |    | 139,938        |
| Leasehold improvements                            |    | 79,767         |
|   |    | <hr/>          |
|   |    | 264,637        |
| Less accumulated depreciation<br>and amortization |    | 23,944         |
|   |    | <hr/>          |
|   | \$ | <u>240,693</u> |

**4. Exemption from Rule 15c3-3**

The Company is exempt from the SEC Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

**5. Concentrations**

The Company maintains all of its cash in financial institutions, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

During 2003, the Company provided services to three major customers, resulting in revenues of approximately 61% of the Company's total revenues.

**6. Related party transactions**

Due to related party represents amounts due to Muzea for reimbursement of certain expenses paid by Muzea on behalf of the Company as well as research fees due Muzea for customers of the Company which use the Muzea technology.

**NOTES TO FINANCIAL STATEMENTS****7. Commitments and contingencies**

At December 31, 2003, the Company is obligated under various leases expiring through 2008. Beginning on June 1, 2006, under the provisions of one of these lease agreements, the Company has the right to terminate the lease upon 90 days written notice.

Approximate future aggregate annual rental payments under the leases are as follows:

| <b>Year ending December 31,</b> |                   |
|---------------------------------|-------------------|
| 2004                            | \$ 67,000         |
| 2005                            | 67,000            |
| 2006                            | 63,000            |
| 2007                            | 54,000            |
| 2008                            | <u>22,000</u>     |
|                                 | <u>\$ 273,000</u> |

Rent expense for the year ended December 31, 2003 was approximately \$30,000.

**8. Off-balance sheet risk**

Pursuant to a clearance agreement, the Company introduces all of its securities transactions to its clearing broker on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company and must maintain, at all times, a clearing deposit of not less than \$250,000. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts. In addition, the receivable from clearing broker is pursuant to the clearance agreement.

In the normal course of business, the Company's customer activities involve the execution, settlement and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

**9. Net capital requirement**

The Company, as a member of the NASD, is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 in the initial year of operations, and that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At December 31, 2003, the Company's net capital was approximately \$427,000 which was approximately \$378,000 in excess of its required net capital of \$49,000.