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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SECURITIES AND EXCHANGE COMMISSION
RECEIVED

SEC FILE NUMBER
8-51548

FACING PAGE

AUG 05 2004

**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 01/01/2003 AND ENDING 12/31/2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: HFBE Capital, LP

OFFICIAL USE ONLY
46834
FIRM I.D. NO.

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

815 Walker, Suite 1140

(No. and Street)

Houston

Texas

77002

(City)

(State)

(Zip Code)

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

Daniel E. LeGaye

(281) 367-0380

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Harper & Pearson Company

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

One Riverway, Suite 1000

Houston

Texas

77056

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
AUG 13 2004

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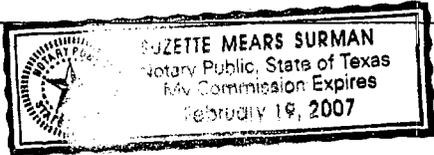
HUMASON
FINANCIAL

*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)

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OATH OR AFFIRMATION

I, Daniel E. LeGaye, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HFBE Capital, LP, 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:



Daniel E. LeGaye
Signature

Daniel E. LeGaye FINOP
Title

Suzette Mears Surman
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. **N/A**
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3. **N/A**
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3. **See Schedule II**
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 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. **N/A**
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report. **N/A**
- (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).

HFBE CAPITAL, L.P.
FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

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**INDEPENDENT AUDITOR'S REPORT**

To the Partners
HFBE Capital, L.P.
Houston, Texas

We have audited the accompanying statement of financial condition of HFBE Capital, L.P. as of December 31, 2003 and the related statements of income, changes in partners' 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. The financial statements as of December 31, 2002 were audited by other auditors, whose opinion dated February 21, 2003 was unqualified on those statements.

We conducted our audit in accordance with generally accepted auditing standards in the 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 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 2003 financial statements referred to above present fairly, in all material respects, the financial position of HFBE Capital, L.P. as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States.

Our audit was made 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 under the Securities and Exchange Act of 1934. 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.

Harper & Pearson Company

Houston, Texas
February 17, 2004

HFBE CAPITAL, L.P.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2003 AND 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$ 111,795	\$ 127,927
Investment in Westcreek HFBE Investments, L.P.	<u>41,500</u>	<u>41,500</u>
TOTAL ASSETS	<u>\$ 153,295</u>	<u>\$ 169,427</u>

LIABILITIES AND CAPITAL

Accounts payable	\$ 1	\$ -
Partners' capital	<u>153,294</u>	<u>169,427</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$ 153,295</u>	<u>\$ 169,427</u>

The accompanying notes are an integral part of the financial statements.

HFBE CAPITAL, L.P.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Commissions	\$ 471,190	\$ 412,277
Management fee and administrative expense	<u>377,323</u>	<u>243,000</u>
Net income	<u>\$ 93,867</u>	<u>\$ 169,277</u>

The accompanying notes are an integral part of the financial statements.

HFBE CAPITAL, L.P.
STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>Limited Partners</u>			<u>General Partner HFBE Capital GP LLC</u>	<u>Total</u>
	<u>Alex Howard</u>	<u>Will Frazier</u>	<u>Don Barker</u>		
Balance - December 31, 2001	\$ 18,383	\$ 18,383	\$ 18,383	\$ 1	\$ 55,150
Distributions	(18,333)	(18,333)	(18,333)	(1)	(55,000)
Net income	<u>56,423</u>	<u>56,423</u>	<u>56,423</u>	<u>8</u>	<u>169,277</u>
Balance - December 31, 2002	56,473	56,473	56,473	8	169,427
Distributions	(36,666)	(36,666)	(36,666)	(1)	(110,000)
Net income	<u>31,289</u>	<u>31,289</u>	<u>31,289</u>	<u>1</u>	<u>93,867</u>
Balance, December 31, 2003	<u>\$ 51,095</u>	<u>\$ 51,095</u>	<u>\$ 51,095</u>	<u>\$ 8</u>	<u>\$ 153,294</u>

The accompanying notes are an integral part of the financial statements.

HFBE CAPITAL, L.P.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	471,190	\$ 370,777
Cash paid for management fees and expenses	(377,322)	(243,000)
Net cash provided by operating activities	93,868	127,777
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions	(110,000)	(55,000)
Net cash used in investing activities	(110,000)	(55,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,132)	72,777
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	127,927	55,150
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 111,795	\$ 127,927
 RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	\$ 93,867	\$ 169,277
Investment in partnership in lieu of commission	-	(41,500)
Increase in accounts payable	1	-
Net cash provided by operating activities	\$ 93,868	\$ 127,777

The accompanying notes are an integral part of the financial statements.

NOTE A BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Partnership maintains its accounts on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Accounting principles followed by the Partnership and the methods of applying those principles which materially affect the determination of financial position, results of operations and cash flows are summarized below:

Description of Business – HFBE Capital, L.P. (a Texas limited partnership) ("the Partnership") located in Houston, Texas is a private investment banking firm and fully-disclosed Securities Broker-Dealer. Accordingly, the Partnership has claimed an exemption from Rule 15c3-3 under section (K)(2)(ii). The Partnership is registered as a Broker-Dealer with the Securities and Exchange Commission, and a member of the National Association of Securities Dealers, Inc. (NASD).

Statement Presentation – The unclassified statement of financial condition is presented in accordance with industry standards.

Revenue Recognition – Commissions are recognized when trades settle and receivables are recorded at that time. 77% of revenues in 2003 came from two transactions. 95% of revenues in 2002 came from one transaction.

Income Taxes – The Partnership's income, losses, and tax credits will be included in the individual income tax returns of the Partners. Accordingly, the Partnership does not record a provision for Federal income taxes.

Cash and Cash Equivalents – The Partnership considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Investment in Limited Partnership - The investment in limited partnership is stated at management's estimate of fair value and cannot be publicly offered or sold. Changes in net unrealized appreciation or depreciation is credited or charged to operations.

Estimates - The preparation of financial statements 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.

NOTE B PARTNERSHIP AGREEMENT

The Partnership was formed October 1, 1998. The general partner of the Partnership is HFBE Capital GP LLC, and the limited partners were Donald Barker, Charles Elliott, William Frazier and Alex Howard.

Effective January 1, 2001, the Partnership purchased Charles Elliott's interest for \$1,000. His remaining capital account was allocated among the other limited partners.

The general partner has an ownership interest of .0034% and the limited partners each has a 33.3322% interest.

NOTE B PARTNERSHIP AGREEMENT (CONTINUED)

All Partnership profits, losses and distributions are to be allocated to the partners in proportion to their respective percentage interests.

NOTE C MANAGEMENT AGREEMENT

The Partnership entered into a management agreement with Howard Frazier Barker Elliott, Inc. (HFBE), a company related through common ownership, whereby HFBE will provide administrative and operational services, facilities, furniture and pay all overhead expenses of the Partnership.

HFBE will receive a management fee and reimbursement of administrative expenses, payable in advance, as determined by HFBE. The management fee may be waived by HFBE. Management fees and expense allocations for 2003 and 2002 were approximately \$377,000 and \$243,000, respectively.

NOTE D NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Partnership is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

There were no material inadequacies found to exist in the computation of the ratio of aggregate indebtedness to net capital at December 31, 2003 and 2002, or in the procedures followed in making the periodic computation required. At December 31, 2003 and 2002, the Partnership had net capital of \$111,794 and \$127,927 respectively, and a net capital requirement of \$5,000. The Partnership's ratio of aggregate indebtedness to net capital was zero. The Securities and Exchange Commission permits a ratio for the Partnership at this time of no greater than 15 to 1.

NOTE E INVESTMENT IN WESTCREEK HFBE INVESTMENTS, L.P.

The Partnership has a 2.7326% limited partnership interest in Westcreek HFBE Investments, L.P., a Texas limited partnership. The partnership was formed to indirectly invest in an apartment complex in Houston, Texas. Net income, loss and distributions are allocated to the partners in accordance with their respective partnership interests. Fair market value of the investment is based upon an appraisal of the underlying properties. The most recent appraisal, in May 2002, reflected fair market value which approximates the cost of this investment. It is management's opinion that fair market value and cost continue to be approximately the same.

NOTE F CONCENTRATIONS AND CREDIT RISK

Credit Risk - The Partnership's bank balances, which were approximately \$111,795 and \$127,927 at December 31, 2003 and 2002 are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. It is the Partnership's practice to utilize high net worth financial institutions to minimize its credit risk.

NOTE F CONCENTRATIONS AND CREDIT RISK (CONTINUED)

The Partnership is engaged in various trading and brokerage activities in which the counter parties primarily include banks and other financial institutions. In the event a counter party does not fulfill its obligations, the Partnership may be exposed to risk. The risk of default depends on the credit worthiness of the counter party. It is the Partnership's policy to review, as necessary, the credit standings of each counter party.

HFBE CAPITAL, L.P.
SCHEDULE I
COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2003

NET CAPITAL	
Total partners' capital qualified for net capital	<u>\$ 153,294</u>
Total capital and allowable subordinated liabilities	153,294
Deductions and/or charges	
Nonallowable assets:	
Investment in associated partnership	<u>(41,500)</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITION	<u>111,794</u>
Haircuts on securities	<u>-</u>
Net capital	<u>\$ 111,794</u>
COMPUTATION ON BASIC NET CAPITAL REQUIREMENTS	
Minimum net capital required (12.5% of total aggregate indebtedness)	<u>\$ -</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 5,000</u>
Excess net capital	<u>\$ 106,794</u>
Ratio: Aggregate indebtedness to net capital	<u>N/A</u>

Note: The above computation does not differ materially from the computation of net capital under Rule 15c3-1 as of December 31, 2003, filed with the Securities and Exchange Commission by the Partnership on Part IIA of Form X-17a-5.

HFBE CAPITAL, L.P.
SCHEDULE II

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
AND INFORMATION RELATING TO POSSESSION OR CONTROL OF SECURITIES
UNDER RULE 15C3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2003**

Exemption Provisions

The Partnership has claimed an exemption from Rule 15c3-3 under Section (k)(2)(i), in which a "Special Account for the Exclusive Benefit of Customers" is maintained.



REPORT ON INTERNAL CONTROL STRUCTURE
REQUIRED BY SEC RULE 17 A-5 FOR A
BROKER-DEALER CLAIMING AN EXEMPTION
FROM SEC RULE 15C3-3

February 17, 2004

Partners
HFBE Capital, L.P.

In planning and performing our audit of the financial statements and supplemental schedules of HFBE Capital, L.P. (the Partnership) for the year ended December 31, 2003, we considered its internal control, including control activities 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.

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 Partnership including tests of 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 Partnership does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Partnership in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Partnership 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 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 Partnership 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 the 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 or 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.

Our consideration of the internal control structure would not necessarily disclose all matters in internal control 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 components does not reduce to a relatively low level the risk that error or fraud 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 internal control, including control activities 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 SEC to be adequate for its purpose 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 Partnership's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

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

Harper E. Pearson Company