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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 039991

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 04/01/03 AND ENDING 03/31/04
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: BACK BAY CAPITAL, INC.

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

2801 CAMINO DEL RIO SOUTH, SUITE 310

(No. and Street)

SAN DIEGO

CA

92108

(City)

(State)

(Zip Code)

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

ALBERT CARAZOLEZ

800-570-0567

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SUSSMAN, STEPHEN, J.

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

12 PARMENTER ROAD

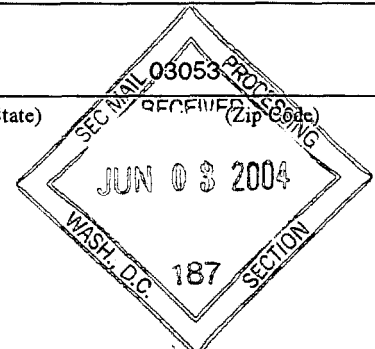
LONDONDERRY,

(Address)

(City)

(State)

CHECK ONE:

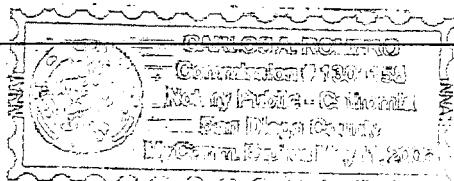
☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.PROCESSED
JUN 25 2004 ETHOMSON
FINANCIAL**FOR OFFICIAL USE ONLY**

*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)

00624

OATH OR AFFIRMATION

I, ALBERT CARAZOLEZ, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BACK BAY CAPITAL, INC., as of MARCH 31, 20 04, 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:



Carlos A. Rivas

Notary Public

[Signature]
Signature
PRESIDENT
Title

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 15c3-3 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.
- ☒ (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).**

BACK BAY CAPITAL, INC.

FINANCIAL STATEMENTS

MARCH 31, 2004

STEPHEN J. SUSSMAN

Certified Public Accountant

12 PARMENTER ROAD

LONDONDERRY, NH 03053

TEL. (603) 437-1910

FAX (603) 437-3676

Independent Auditor's Report

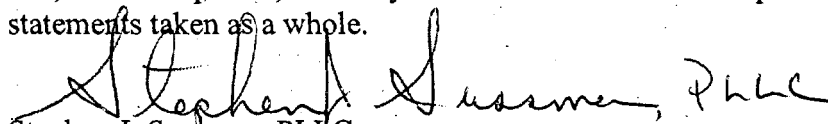
To the Board of Directors of
Back Bay Capital, Inc.
San Diego, CA

We have audited the accompanying statement of financial condition of Back Bay Capital, Inc. (the Company) as of March 31, 2004, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 of 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 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 Back Bay Capital, Inc. at March 31, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 under the Securities 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.



Stephen J. Sussman, PLLC

Certified Public Accountant

Londonderry, New Hampshire

May 19, 2004

BACK BAY CAPITAL, INC.

STATEMENT OF FINANCIAL CONDITION

MARCH 31, 2004

ASSETS

Cash	\$ 299
Receivable from broker-dealers	1,420
Deposit with clearing organization	26,001
Prepaid expenses	<u>4,603</u>
Total assets	<u>\$ 32,323</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Commission payable	\$ 1,400
Accounts payable	<u>2,100</u>
	<u>3,500</u>

Stockholders' equity:

Common stock, \$10 par value, 1,000 shares authorized; 102 shares issued and 4 outstanding	40
Additional paid-in capital	785,812
Treasury stock at cost - 98 shares	(598,040)
Accumulated deficit	<u>(158,989)</u>
Total stockholders' equity	<u>28,823</u>
Total liabilities and stockholders' equity	<u>\$ 32,323</u>

BACK BAY CAPITAL, INC.

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2004

REVENUE:

Commissions	\$ 157,423
Interest and dividends	<u>108</u>
	<u>157,531</u>

OPERATING EXPENSES:

Commission expense	88,510
Clearance fees	21,271
Communications and data processing	2,610
Occupancy	3,024
Other expenses	<u>37,535</u>

Total operating expenses	<u>152,950</u>
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NET INCOME (LOSS)	<u><u>\$ 4,581</u></u>
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BACK BAY CAPITAL, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED MARCH 31, 2004

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Treasury Stock</u>	<u>Accumulated Deficit</u>
Balance at March 31, 2003	\$ 40	\$ 778,222	\$ (598,040)	\$ (163,570)
Additional paid-in capital		7,590		
Net income (loss)	<u> </u>	<u> </u>	<u> </u>	<u>4,581</u>
Balance at March 31, 2004	<u>\$ 40</u>	<u>\$ 785,812</u>	<u>\$ (598,040)</u>	<u>\$ (158,989)</u>

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

BACK BAY CAPITAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

Cash flows from operating activities:

Net income (loss) \$ 4,581

Adjustments to reconcile net income to net cash

used by operating activities:

Decrease (increase) in operating assets and increase

(decrease) in operating liabilities:

Receivable from broker-dealers (1,405)

Deposits with clearing organizations (3,094)

Prepaid expenses 259

Accounts payable and accrued expenses (9,117)

Commissions payable 1,400

Total adjustments (11,957)

Net cash used by operating activities (7,376)

Cash flows from investing activities:

None -

Cash flows from financing activities:

Additional paid-in capital 7,590

Net cash provided by financing activities 7,590

Decrease in cash 214

Cash at March 31, 2003 85

Cash at March 31, 2004 \$ 299

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest expense \$ -

Income taxes \$ 1,563

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

BACK BAY CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 - INCORPORATION

The Company was incorporated under the laws of the State of Alabama on February 25, 1980 with total authorized common stock of 1,000 shares at \$10 par. On March 28, 1988, an amendment to the Certificate of Incorporation included the services of broker-dealers.

NOTE 2 - SUMMARY OF SIGNIFICANT 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes:

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of current taxes and the tax benefit of the net operating loss carryback.

NOTE 3 - NET CAPITAL REQUIREMENT

As a broker-dealer, the Company is subject to the Securities and Exchange Commissions' (SEC) regulations and operating guidelines, that require the Company to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness to net capital, as defined, not exceeding 15 to 1. The Company's net capital, as computed under 15c3-1, was \$21,235 at March 31, 2004, which exceeded required net capital of \$5,000 by \$16,235. The ratio of aggregate indebtedness to net capital at March 31, 2004 was 16.5%.

NOTE 4 - CONCENTRATION OF CREDIT RISK

BACK BAY CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

MARCH 31, 2004

NOTE 5 - INCOME TAXES

The Company's deferred tax assets of approximately \$31,000 consist principally of the tax effect of both federal and state net operating loss carryforwards of approximately \$132,000; such loss carryforwards expire in 2022, 2021 and 2020. The Company has recorded a full valuation allowance against the net asset. The Company did not pay any income taxes in the fiscal year 2003.

BACK BAY CAPITAL, INC.

SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED MARCH 31, 2004

SCHEDULE I

BACK BAY CAPITAL, INC.

COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL PURSUANT TO RULE 15c3-1

MARCH 31, 2004

Total ownership equity from statement of financial condition	\$ 28,823
Total nonallowable assets from statement of financial condition	<u>7,588</u>
Net capital before haircuts on securities positions	21,235
Haircuts on securities	<u>-</u>
Net capital	<u><u>\$ 21,235</u></u>
Aggregate indebtedness:	
Total A.I. liabilities from statement of financial condition	<u><u>\$ 3,500</u></u>
Total aggregate indebtedness	<u><u>\$ 3,500</u></u>
Percentage of aggregate indebtedness to net capital	<u><u>16.5%</u></u>
Computation of basic net capital requirement:	
Minimum net capital required (6-2/3% of A.I.)	<u><u>\$ 233</u></u>
Minimum dollar net capital requirement of reporting broker or dealer	<u><u>\$ 5,000</u></u>
Net capital requirement	<u><u>\$ 5,000</u></u>
Excess net capital	<u><u>\$ 16,235</u></u>
Excess net capital at 1000%	<u><u>\$ 20,885</u></u>

SCHEDULE II

BACK BAY CAPITAL, INC.

**COMPUTATION FOR DETERMINATION OF
RESERVE REQUIREMENTS FOR BROKER/DEALER UNDER
RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934**

MARCH 31, 2004

Back Bay Capital, Inc. is exempt from the reserve requirements of Rule 15c3-3 as its transactions are limited, such that they do not handle customer funds or securities, accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirement pursuant to Rule 15c3-3 are not applicable.

STEPHEN J. SUSSMAN

Certified Public Accountant

12 PARMENTER ROAD

LONDONDERRY, NH 03053

TEL. (603) 437-1910

FAX (603) 437-3676

Independent Auditors' Report on Internal Control Structure Required by SEC Rule 17a-5

Board of Directors
Back Bay Capital, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Back Bay Capital, Inc. (the Company) for the year ended March 31, 2004, 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 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 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 Company 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 Company 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

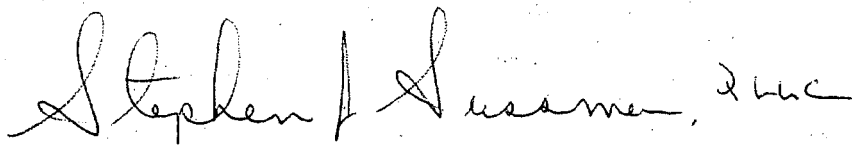
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs 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 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in 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 internal control 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 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 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 the Company's practices and procedures were adequate at March 31, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers Regulation, Inc. 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.

A handwritten signature in cursive script that reads "Stephen J. Sussman". To the right of the signature, there are initials "JHC".

Stephen J. Sussman, PLLC
Certified Public Accountant
Londonderry, New Hampshire
May 19, 2004

STEPHEN J. SUSSMAN

Certified Public Accountant