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

SEC FILE NUMBER
8-40325

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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Blue Belle Investment Co., Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
2200 Post Oak Blvd., Suite 508

(No. and Street)

Houston, TX 77056  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Iris McWilliams 713-621-5777  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Jim F. Herring, CPA

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

770 S. Post Oak Ln., Ste. 690 Houston TX 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  
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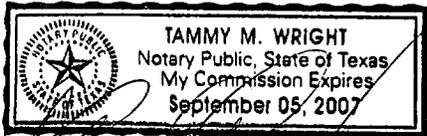
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THOMSON FINANCIAL

\*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)

Handwritten initials/signature

OATH OR AFFIRMATION

I, Iris McWilliams, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Blue Belle Investment Co., Inc., as of December 31, 2004, 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:



Tammy M. Wright  
Notary Public

Jan B. K...

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).

- (1) As of December 31, 2004, the company had no liabilities subordinated to the claims of Creditors and there were no changes in subordinated liabilities during the reporting period of January 1, 2004 to December 31, 2004.

# JIM F. HERRING

CERTIFIED PUBLIC ACCOUNTANT  
770 S. POST OAK LANE, SUITE 690  
HOUSTON, TEXAS 77056  
(713) 840-7333 • FAX (713) 840-7117

## Report of Independent Auditor

Board of Directors and Stockholders  
Blue Belle Investment Co., Inc.

We have audited the accompanying statement of financial condition of Blue Belle Investment Co., Inc. as of December 31, 2004 and 2003, and the related statement of operations, changes in stockholder's equity and cash flows for the years then ended. The 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 Blue Belle Investment Co., Inc. at December 31, 2004 and 2003, and the results of its operations, changes in stockholder's equity and cash flow for the years 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 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. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 5, 2005

**BLUE BELLE INVESTMENT CO., INC.**  
(A Subchapter S Corporation)  
Statement of Financial Condition  
December 31, 2004 and 2003

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Cash in banks		\$ 12,476	\$ 11,026
Investments		23,460	21,735
Prepaid expenses and other assets		1,430	303
Office equipment, at cost, less accumulated depreciation of \$6,547 \$5,480, respectively		2,633	1,943
<b>Total assets</b>		<u>\$ 39,999</u>	<u>\$ 35,007</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable	\$ 1,861	\$ 2,025
Stockholder's equity:		
Common stock, No par value; 1,000,000 shares authorized; 1,000 shares issued and outstanding, at stated value	10,000	10,000
Additional paid in capital	45,394	36,894
Retained earnings (deficit)	( 17,256)	( 13,912)
Total stockholder's equity	<u>38,138</u>	<u>32,982</u>
<b>Total liabilities and stockholder's equity</b>	<u>\$ 39,999</u>	<u>\$ 35,007</u>

See accompanying notes.

**BLUE BELLE INVESTMENT CO., INC.**  
(A Subchapter S Corporation)  
Statement of Operations  
Years ended December 31, 2004 and 2003

	<b>2004</b>	<b>2003</b>
Revenues:		
Commissions and fees	\$ 25,835	\$ 23,127
Net dealer investment gains (losses)	1,725	( 7,589)
Other	35	48
	27,595	15,586
Expenses:		
Accounting services	13,649	13,219
Office rentals	7,583	7,651
Legal and professional	1,865	1,336
Regulatory fees and assessments	1,694	1,027
Telephone	1,263	1,785
Office supplies, postage and other	3,195	361
Depreciation	1,066	1,075
Equipment rental and maintenance	558	379
Taxes	66	94
	30,939	26,927
Income (loss) before provision for income tax	( 3,344)	( 11,341)
Provision for federal income tax	-	-
	\$ ( 3,344)	\$ ( 11,341)
<b>Net income (loss)</b>	<b>\$ ( 3,344)</b>	<b>\$ ( 11,341)</b>

See accompanying notes.

**BLUE BELLE INVESTMENT CO., INC.**  
(A Subchapter S Corporation)  
Statement of Changes in Stockholder's Equity  
Years ended December 31, 2004 and 2003

	<u>Common Stock</u>	<u>Additional Paid In Surplus</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at January 1, 2003	\$10,000	\$ 32,394	\$( 2,571)	\$ 39,823
Capital contributions for the year ended December 31, 2003	-	4,500	-	4,500
Net income for the year ended December 31, 2003	-	-	(11,341)	(11,341)
Balances at December 31, 2003	<u>10,000</u>	<u>36,894</u>	<u>(13,912)</u>	<u>32,982</u>
Capital contributions for the ended December 31, 2004	-	8,500	-	8,500
Net income (loss) for the year ended December 31, 2004	-	-	( 3,344)	( 3,344)
Balances at December 31, 2004	<u><u>\$10,000</u></u>	<u><u>\$ 45,394</u></u>	<u><u>\$ (17,256)</u></u>	<u><u>\$ 38,138</u></u>

See accompanying notes.

**BLUE BELLE INVESTMENT CO., INC.**  
(A Subchapter S Corporation)  
Statement of Cash Flows  
Years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$( 3,343)	\$(11,341)
Adjustments to reconcile net income to net cash provided by (applied to) operating activities:		
Depreciation	1,066	1,075
Decrease (increase) in prepaid expenses and other assets	( 1,127)	-
Unrealized loss (gain) on investments	( 1,726)	7,589
Increase (decrease) in accounts payable and accruals	( 164)	1,041
	<u>          </u>	<u>          </u>
Net cash provided (used) by operating activities	( 5,294)	( 1,636)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of office equipment	1,757	1,612
	<u>          </u>	<u>          </u>
Net cash used by investing activities	1,757	1,612
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advances from (to) stockholder	8,500	4,500
	<u>          </u>	<u>          </u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 1,449	 1,252
Cash at beginning of year	11,027	9,775
	<u>          </u>	<u>          </u>
<b>Cash at end of year</b>	<b>\$ 12,476</b>	<b>\$ 11,027</b>
	<u>          </u>	<u>          </u>

See accompanying notes.

**BLUE BELLE INVESTMENT CO., INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2004

**1. Organization and significant accounting policies**

Blue Belle Investment Co., Inc. was incorporated under the laws of the State of Texas on May 12, 1986 and commenced operations as a broker/dealer effective with its charter date.

The Company is a broker/dealer in securities registered with the Securities and Exchange Commission (SEC) under SEC Rule 15b3-3 k(1), which provides that the Company is limited to the purchase, sale and redemption of redeemable shares of registered investment companies and certain other transactions and the Company must promptly transmit all funds and deliver all securities received in connection with its activities as a broker or dealer, and does not otherwise hold funds or securities for, or owe money or securities to its customers.

The Company derives substantially all of its income from commissions under SEC Rule 12 b-1 from a mutual fund on investments a shareholder has made in that particular mutual fund.

Security transactions (and related commission revenue and expense) are recorded on a settlement date basis, generally the third business day following the date of the transactions. If materially different, commission income and related expenses are recorded on a trade date basis.

Organization costs were fully amortized on December 31, 1993.

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. Net capital requirements**

The Company is subject to the net capital requirements under paragraph (a)(2)(vi) of Rule 15c3-1 of the Securities and Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined. At December 31, 2004, the Company had net capital, as defined, of \$10,615, which was \$5,615 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was .3 to 1. The SEC permits a ratio of no greater than 15 to 1.

### 3. Fair value of financial investments

The estimated fair value of the Company's financial instruments at December 31, 2004 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash in banks	\$12,476	\$12,476
Investments for which it is:		
Practical to estimate fair value	23,460	23,460
Not practical to estimate fair value	-	-

The following methods and assumptions were used to estimate fair value of each class of financial instruments:

**Cash in banks** - The carrying amount approximates fair value because of the short maturity of those investments.

**Investments** - Fair value of investments are estimated based upon quoted market prices at the balance sheet date.

### 4. Furniture and equipment

Furniture and equipment are stated at cost. These assets are depreciated over their estimated useful lives using the straight-line method. During the years ended December 31, 2004 and 2003, the Company provided depreciation in the amounts of \$1,066 and \$1,075, respectively.

### 5. Related party transactions

During the year ended December 31, 2004, the shareholder contributed capital to the corporation in the amount of \$8,500. At December 31, 2004 and 2003 there were no amounts due to or from the stockholder.

### 6. Federal income taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under such provisions, the Company does not pay federal corporate income taxes, but rather the stockholder of the Company is liable for individual income taxes on the taxable income of the Company.

## Schedule I

**BLUE BELLE INVESTMENT CO., INC.**  
**Computation of Net Capital Under Rule 15c3-1 of the**  
**Securities and Exchange Act**

As of December 31, 2004

Total assets		\$ 39,999
Less: Total liabilities (exclusive of subordinated debt)		1,861
		<hr/>
Net worth		38,138
Deductions from and/or charges to net worth:		
Total non-allowable assets	\$ 4,063	
Other deductions or charges	-	
		<hr/>
Total deductions from net worth		4,063
		<hr/>
Net capital before haircuts on securities positions		34,075
Haircuts on securities:		
Certificates of deposit and commercial paper	-	
U.S. and Canadian government obligations	-	
State and municipal government and obligations	-	
Corporate obligations	-	
Stocks and warrants	23,460	
Options	-	
Arbitrage	-	
Other securities	-	
		<hr/>
Total haircuts of securities		23,460
		<hr/>
Net capital		\$ 10,615
		<hr/> <hr/>
Minimum net capital requirement		\$ 5,000
		<hr/> <hr/>
Excess net capital		\$ 5,615
		<hr/> <hr/>
Aggregate indebtedness		\$ 1,861
		<hr/> <hr/>
Ratio of aggregate indebtedness to net capital		.3 to 1
		<hr/> <hr/>
Ratio of subordinated indebtedness to debt/equity total		\$ -
		<hr/> <hr/>
<b>RECONCILIATION WITH COMPANY'S COMPUTATION</b> (included in Part II of Form X-17A-5 as of December 31, 2004)		
Net capital, as reported in Company's Part II (Unaudited) FOCUS report		\$ 10,615
Allowable assets erroneously reported as non-allowable		
Deposits		-
Accrued interest receivable		-
Difference due to offsetting various assets accounts against related liabilities		-
Net audit adjustments		-
Other items, net		-
		<hr/>
Net capital per above		\$ 10,615
		<hr/> <hr/>

Schedule II

BLUE BELLE INVESTMENT CO., INC.  
Supplementary Information  
Form X-17a-5  
Part III

Part (h) Computation for Determination of Reserve Requirements Pursuant to SEC Rule 15c3-3.

The Company is not subject to Reserve Requirements pursuant to Rule 15c3-3 because the Company operates under the exemptive provisions and paragraph K(2)(i) of SEC Rule 15c3-3.

Part (i) Information relating to the Possession or Control Requirements under Rule 15c3-3.

The Company is not subject to the Possession and Control Requirements under Rule 15c3-3. The Company does not possess nor control any customer funds or securities that would require disclosure under said rule. The Company operates under the exemptive provisions of paragraph K(2)(i) of Rule 15c3-3.

Part (j) A reconciliation of the computation of net capital under Rule 15c3-1 and the computation for determination of Reserve Requirements under Exhibit A of Rule 15c3-3.

There were no material differences between the computation of net capital pursuant to Rule 15c3-1 and the corresponding net capital amount prepared by Blue Belle Investment Co., Inc. and included in the Company's Part IIA (unaudited) FOCUS report as of December 31, 2004.

The computation for Determination of Reserve Requirements pursuant to Rule 15c3-3 and the Information Relating to Possession or Control Requirements under Rule 15c3-3 have been omitted because the firm is exempt under paragraph K(2)(i) of SEC Rule 15c3-3.

Part (k) Reconciliation between the audited and unaudited statements of financial condition with respect to methods of consolidation.

There were no material differences between the audited and unaudited financial statements at year end. The Company does not consolidate its accounts.