

SECURITIES AND EXCHANGE COMMISSION
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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

03/01/04
MM/DD/YY

SECURITIES AND EXCHANGE COMMISSION
RECEIVED

AND ENDING

02/28/05

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

Baron Capital, Inc.

BRANCH OF REGISTRATIONS
AND
EXAMINATIONS
08

OFFICIAL USE ONLY
10538
FIRM ID. NO.

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

767 Fifth Avenue

(No. and Street)

New York

(City)

New York

(State)

10153

(Zip Code)

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

Ronald Baron

(212) 583-2000

(Area Code — Telephone No.)

PROCESSED

MAY 05 2005

THOMSON
FINANCIAL

B. ACCOUNTANT IDENTIFICATION

PROCESSED

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Eisner LLP

MAY 05 2005

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

THOMSON
FINANCIAL

750 Third Avenue

(Address)

New York

(City)

New York

(State)

10017

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

19/5/5

BARON CAPITAL, INC.
STATEMENT OF FINANCIAL CONDITION
FEBRUARY 28, 2005

INDEPENDENT AUDITORS' REPORT

To the Stockholder and Board of Directors
Baron Capital, Inc.
New York, New York

We have audited the accompanying statement of financial condition of Baron Capital, Inc., a wholly owned subsidiary of Baron Capital Group, Inc. (the "Company"), as of February 28, 2005, that you are filing pursuant to Rule 17a-5 under the Securities Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of Baron Capital, Inc. as of February 28, 2005, in conformity with accounting principles generally accepted in the United States of America.

Eisner LLP

New York, New York
March 22, 2005

BARON CAPITAL, INC.

Statement of Financial Condition February 28, 2005

ASSETS

Cash and cash equivalents	\$ 6,070,690
Investment in marketable securities (cost of \$1,721,893)	2,463,423
Due from corresponding broker	463,901
Due from affiliates	31,093
Investments in limited partnership and nonmarketable security (cost of \$566,345)	50,000
Other assets	<u>175,608</u>
	<u>\$ 9,254,715</u>

LIABILITIES

Accrued expenses and other liabilities	\$ 3,630,890
Due to affiliates	1,512,007
Deferred tax liability	120,000
Current taxes payable	<u>111,500</u>
	<u>5,374,397</u>

Commitments

STOCKHOLDER'S EQUITY

Common stock - \$1.00 par value; 1,000 shares authorized, 100 shares issued and outstanding	100
Additional paid-in capital	3,100,065
Retained earnings	<u>780,153</u>
	<u>3,880,318</u>
	<u>\$ 9,254,715</u>

BARON CAPITAL, INC.

Notes to Statement of Financial Condition February 28, 2005

NOTE A - THE COMPANY

Baron Capital, Inc. (the "Company"), a wholly owned subsidiary of Baron Capital Group, Inc. ("BCG"), is a registered broker/dealer clearing all of its customer transactions through a correspondent broker on a fully disclosed basis. The Company is also the distributor of the shares of seven affiliated regulated investment companies operating pursuant to Rule 12b-1 under the Investment Company Act of 1940.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Securities transactions and valuation:

The Company records securities transactions on a trade-date basis. Realized gains and losses from securities transactions are calculated on a specific identification method.

Investments in marketable securities are valued on the last business day of the year at the last available reported price.

Investment in a nonmarketable security is carried at estimated fair value as determined by the Board of Directors.

The Company is a limited partner in an affiliated partnership that invests in nonmarketable securities which have been valued by the partnership's management. This investment is being carried at estimated fair value in the statement of financial condition, based upon the underlying investments.

Because of the inherent uncertainty of valuation of the nonmarketable security and the affiliated limited partnership, their estimated fair values may differ from the values that would have been used had a ready market existed and the difference could be material.

[2] Use of estimates:

The preparation of the 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 the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE C - INCOME TAXES

The accounts of the Company, its parent and two affiliated companies are included in consolidated federal, state and local income tax returns. The Company computes its tax expense as if it were a separate entity.

At February 28, 2005, the Company had a deferred tax liability of \$120,000, which relates to net unrealized gains.

NOTE D - PROFIT-SHARING PLAN

The Company maintains a defined contribution profit-sharing plan. All employees who have completed one year of service and have attained 21 years of age are eligible to participate. Plan contributions are based on the compensation of the participant. The contribution percentage is determined at the discretion of the Board of Directors. Participants in the plan become fully vested upon obtaining eligibility status.

BARON CAPITAL, INC.

**Notes to Statement of Financial Condition
February 28, 2005**

NOTE E - NET CAPITAL

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c-3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At February 28, 2005, the Company had net capital of approximately \$3,169,000, which is \$2,811,000 in excess of its required net capital. The Company's ratio of aggregate indebtedness to net capital was 1.70 to 1.

The Company is exempt from the provisions of Rule 15c3-3 per paragraph (k)2(ii).

NOTE F - RELATED PARTY TRANSACTIONS

A substantial part of the Company's income is generated from seven affiliated regulated investment companies and an offshore fund.

The Company shares office, administrative and occupancy expenses with BCG and two affiliated corporations. The Company recognizes its share of such expenses by a formula determined by management.

NOTE G - CONTINGENCIES

As a nonclearing broker, the Company has its customers' transactions cleared through another broker/dealer pursuant to a clearance agreement. Nonperformance by its customers in fulfilling their contractual obligations pursuant to securities transactions with the clearing broker may expose the Company to risk and potential loss. The Company utilizes a clearing broker that is highly capitalized and is a member of major securities exchanges.