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UNITED STATES
FINANCIAL SERVICES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-18812

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 01/01/05 AND ENDING 12/31/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Corby Capital Markets, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
10 High Street

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Boston

MA

02110

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Michael Reilly 617-482-8780
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Dunn and Hoban P.C.

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

1179 High Street

Westwood

MA

02090

(Address)

(City)

(State)

RECEIVED

(Zip Code)

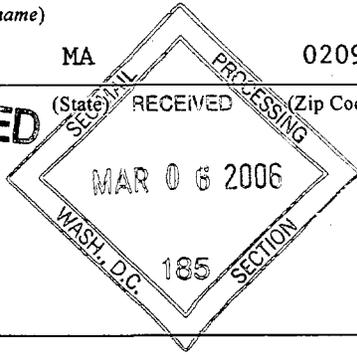
CHECK ONE:

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

PROCESSED

JUN 09 2006

THOMSON
FINANCIAL



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*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)

4/3

OATH OR AFFIRMATION

I, Michael Reilly, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Corby Capital Markets, Inc., as of 02/24, 2006, 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:

Michael J Reilly
Signature

CEO
Title

[Handwritten Signature]
Notary Public

2/24/06
Suffolk County, Mass.



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 15c3-1 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.

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

CORBY CAPITAL MARKETS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2005

CORBY CAPITAL MARKETS, INC.

DECEMBER 31, 2005

TABLE OF CONTENTS

	<u>PAGE</u>
Accountants' Report	1
Financial Statements:	
Balance Sheet	2
Statement of Income and Retained Earnings	3
Statement of Cash Flows	4
Statement of Changes in Shareholders' Equity	5
Notes to Financial Statements	6-10
Supplementary Information:	
Statement of Operating Expenses Schedule I	11
Computation of Net Capital Pursuant To SEC Rule 15C3-1 Schedule II	12
Reconciliation of Unaudited Computation of Net Capital to Audited Computation of Net Capital Schedule III	13
Independent Auditor's Supplementary Report on Internal Accounting Control Required by SEC Rule 17A-5 as of December 31, 2005	14-15

Dunn & Hoban, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
1179 HIGH STREET
WESTWOOD, MA 02090

JOHN A. DUNN, CPA
MEREDITH HOBAN DUNN, CPA

TELEPHONE
781-769-7555
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781-769-6653

To the Directors of
Corby Capital Markets, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial conditions of Corby Capital Markets, Inc. (the Company) as of December 31, 2005, and the related statements of income, changes in stockholders' equity, and cash flows, for the year then ended that you are filing pursuant to rule 71a-5 under 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 Corby Capital Markets, Inc. as of December 31, 2005, and the results of its operations and cash flows for the year then ended in conformity with 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, II, and III 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.



Certified Public Accountants
Westwood, Massachusetts
February 9, 2006

CORBY CAPITAL MARKETS, INC.

Balance Sheet
December 31, 2005

2005Assets

Current Assets:

Cash	\$	27,345
Dividends and interest receivable		43,406
Investment securities (Note 1 and 2)		5,527,797
Prepaid expenses		116,229
Prepaid taxes		371,499
Total current assets		<u>6,086,276</u>

Property and equipment, net (Note 3)

87,524

Other assets:

Deferred income taxes (Note 5)		10,507
Deposits		82,602
Total Assets:	\$	<u><u>6,266,909</u></u>

Liabilities and Shareholders' Equity

Current liabilities:

Payable to clearing organization	\$	4,164,055
Accounts payable		34,027
Accrued expenses and other liabilities		64,177
Total current liabilities		<u>4,262,259</u>

Shareholders' equity:

Common stock (Note 10)		9,601
Preferred stock, \$1.00 par value, 330,221 shares issued and outstanding		330,221
Additional paid-in capital		983,950
Retained earnings		912,078
Treasury stock, 155,000 shares in 2005, at cost		(231,200)
Total shareholders' equity		<u>2,004,650</u>
Total liabilities and shareholders' equity:	\$	<u><u>6,266,909</u></u>

See auditors' report and notes to financial statements.

CORBY CAPITAL MARKETS, INC.
Statement of Income and Retained Earnings
For the Year Ended December 31, 2005

2005

Revenues:

Commissions	\$ 66,198
Principal transactions	3,399,630
Investment advisory fees	106,966
Interest and dividends	<u>253,080</u>

Total revenue 3,825,874

Expenses:

Employee compensation and benefits	2,219,432
Floor brokerage, exchange and clearing loss	449,368
Communications and data processing	248,776
Interest	313,463
Other expenses	<u>880,255</u>

Total expenses 4,111,294

Income (loss) before income taxes (285,420)

Income tax benefit (expense) (Note 5) 133,064

Net income (loss) \$ (152,356)

See auditors' report and notes to financial statements.

CORBY CAPITAL MARKETS, INC.
Statement of Cash Flows
For the Year Ended December 31, 2005

2005

Cash flows from operating activities:

Net income (loss)	\$	(152,356)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization		29,147
Prior period adjustment		145,243
Changes in operating assets and liabilities:		
(Increase) decrease in securities owned		1,789,324
(Increase) decrease in dividend and interest receivable		39,827
(Increase) decrease in prepaid expenses		(64,618)
(Increase) decrease in prepaid taxes		(346,593)
(Increase) decrease in deferred taxes		(8,995)
(Increase) decrease in other assets		(7,155)
Increase (decrease) in payable to clearing organizations		(1,352,830)
Increase (decrease) in other liabilities		15,243
Net cash provided by (used in) operating activities		<u>86,237</u>

Cash flows from investing activities:

Acquisition of property and equipment		<u>(79,555)</u>
Net cash (used in) investing activities		<u>(79,555)</u>

Cash flows from financing activities:

Proceeds from issuance of stock		26,750
Dividends paid		(23,115)
Repurchase of treasury stock		<u>(63,700)</u>
Net cash provided by (used in) financing activities		<u>(60,065)</u>
Net increase (decrease) in cash and cash equivalents		(53,383)

Cash and cash equivalents (beginning of year)		<u>80,728</u>
Cash and cash equivalents, end of year	\$	<u><u>27,345</u></u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest		312,450
Taxes	\$	<u><u>98,460</u></u>

See auditors' report and notes to financial statements.

CORBY CAPITAL MARKETS, INC.
Statement of Changes in Shareholder's Equity
For the Year Ended December 31, 2005

	<u>Common</u> <u>Stock</u>	<u>Preferred</u> <u>Stock</u>	<u>Paid in</u> <u>Capital</u>	<u>Treasury</u> <u>Stock</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
Balance at December 31, 2004	9,251	330,221	957,550	(167,500)	942,306	2,071,828
Repurchase of treasury stock				(63,700)		(63,700)
Issuance of capital stock	350		26,400			26,750
Payment of dividends					(23,115)	(23,115)
Prior period adjustment (Note 11)					145,243	145,243
Net income (loss)					(152,356)	(152,356)
Balance at December 31, 2005	<u>\$ 9,601</u>	<u>\$ 330,221</u>	<u>\$ 983,950</u>	<u>\$ (231,200)</u>	<u>\$ 912,078</u>	<u>\$ 2,004,650</u>

See auditors' report and notes to financial statements.

CORBY CAPITAL MARKETS, INC.

Notes to Financial Statements

December 31, 2005

Note 1 – Summary of Significant Accounting Policies

Business Activity

Corby Capital Markets, Inc., a Delaware corporation, is a registered broker/dealer in securities located in Boston, Massachusetts. The Company is a member of the National Association of Securities Dealers (NASD).

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from the estimates.

Investment Securities

Securities owned by the Company are valued at their fair market value with any unrealized gain or loss reflected in income. Securities transactions (and any related gains or losses on sales) are recorded on a trade date basis.

Property and Equipment

Property and Equipment are stated at cost. Depreciation of furniture and equipment is calculated by the double declining balance method using estimated useful lives of two to ten years.

Federal and State Income Taxes

The Company accounts for income taxes in accordance with Financial Accounting Standards No. 109 "Accounting for Income Taxes".

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$40,315 for the year ended December 31, 2005.

Customer Accounts

The Company's customer accounts are carried on the books of National Financial Services Corporation (NFSC), on a fully disclosed basis. The Company is therefore exempt from the customer reserve requirements under SEC Rule 15c3-3.

Cash Equivalents

For purposes of reporting cash flow, cash and cash equivalents include cash and any highly liquid debt instruments with a maturity of three months or less.

CORBY CAPITAL MARKETS, INC.

Notes to Financial Statements

December 31, 2005

Securities

Market values of debt and equity securities at December 31, 2005 are as follows:

Note 2

<u>Cost</u>	<u>2005 Market Value</u>	<u>Unrealized Gain/(Loss)</u>
\$ 3,202,892	\$ 3,214,167	\$ 11,275
<u>2,313,630</u>	<u>2,313,630</u>	<u>0</u>
<u>\$5,516,522</u>	<u>\$ 5,527,797</u>	<u>\$ 11,275</u>

Equipment

As of December 31, 2005, property and equipment consisted of the following:

	<u>2005</u>
Equipment and fixtures	\$466,684
Computer and telephones	<u>93,856</u>
	\$560,540
Less accumulated depreciation	<u>473,016</u>
	<u>\$ 87,524</u>

Depreciation expense for the year ended December 31, 2005 was \$29,147.

Note 4 – Profit Sharing and 401(k) Plan

The Company adopted a qualified, trustee, voluntary, contributory profit sharing plan effective January 1, 1980, and a 401(k) Plan covers substantially all employees who met specified age and service requirements.

The Company contributions to the Profit Sharing Plan for the year ended December 31, 2005 was \$0.

CORBY CAPITAL MARKETS, INC.
Notes to Financial Statements
December 31, 2005

Note 5 – Federal and State Income Taxes and Net Operating Loss Carryforwards

Financial Accounting Standards No. 109, "Accounting for Income taxes" required that deferred income taxes be computed using the liability method under which deferred income tax assets and liabilities are computed based on differences between the financial statement and tax bases of assets and liabilities. At December 31, 2005, there was a \$32,595 net operating loss carryforward available to offset future taxable income. If not used, the carryforward will expire in 2013.

The Company's total deferred tax assets at December 31, 2005 are as follows:

	<u>2005</u>
Total deferred tax asset/(liability)	<u>\$10,507</u>

Those amounts have been presented in the Company's financial statements as follows:

Non current deferred tax asset/(liability)	\$10,507
Total deferred tax assets/(liability)	<u>\$10,507</u>

The income tax expense differs from amounts currently payable because certain revenues and expenses are reported in the income statement in periods that differ from those in which they are subject to taxation.

The principal differences in timing between the income statement and taxable income involve depreciation expenses recorded on the straight-line method in the income statement and by accelerated methods for tax purposes, and a net operating loss carryforward.

Income tax benefit consists of the following:

	<u>2005</u>
Current tax (expense)/benefit	
Federal	\$142,373
State	(8,526)
Deferred income tax (expense)/benefit	
Federal	\$ (783)
State	<u>0</u>
Total income tax (expense)/benefit	<u>\$133,064</u>

The principal difference between state and federal tax (expense)/benefit is due to municipal bond interest that is non-taxable for federal income tax purposes.

CORBY CAPITAL MARKETS, INC.

Notes to Financial Statements

December 31, 2005

Note 6 – Commitments

On September 1, 2002, the Company entered into a five-year lease expiring August 31, 2007 for space located at 10 High Street in Boston, Massachusetts. The terms of the lease require monthly payments of \$7,213 for the first three years and \$7,432 for the last two years.

On July 5, 2005, the Company entered into a four year lease expiring July 4, 2009 for space located at 96 Old Post Road in Southport, Connecticut. The terms of the lease require monthly payments of \$4,349.75 for the first two years and \$4,590.88 for the next year, and \$4,837.50 for the last year.

At December 31, 2005, rent expense was \$157,182.

Minimum lease payments due under these leases for the next four years are as follows:

2006	\$141,381
2007	113,099
2008	56,540
2009	<u>28,995</u>
Total	<u>\$340,015</u>

Note 7 – Net Capital Requirements

The Company is subject to the Security and Exchange Commission's uniform net capital rule (Rule 15c3-1), which required the maintenance of minimum net capital and required that the ratio of aggregate indebtedness, as defined shall not exceed 15 to 1. The Company had net capital and net capital requirements under these provisions as follows:

Net Capital	<u>1,494,604</u>
Net Capital Requirement	<u>100,000</u>
Net Capital Ratio	<u>14 To 1</u>

Note 8 – Debt to Debt/Equity Ratio

Rule 15c3-1 of the Securities and Exchange Act allows for a debt to debt/equity ratio, as defined, of up to 70%. The Company's debt to debt/equity ratio was 0% at December 31, 2005, computed as follows:

	<u>2005</u>
Equity	\$2,004,650
Debt and other subordinated notes	<u>0</u>
Total debt/equity	<u>\$2,004,650</u>
Debt to debt/equity ratio	0%

CORBY CAPITAL MARKETS, INC.

Notes to Financial Statements

December 31, 2005

Note 9 – Stock Option Plan

In 1996, the Company's stockholders approved a stock option plan that was adopted to secure for the Company and its shareholders the benefits arising from stock ownership by employees, officers and directors of, and consultants or advisors to, the Company who are expected to contribute to the Company's future growth and success. Under the terms of the plan, options granted may be either incentive stock options, meeting the requirements of Section 422 of the Internal Revenue Code, or non-statutory options, which are not intended to meet the requirements of Section 422 of the Code.

The plan currently reserves 200,000 shares of common stock for grant and provides that the term of each award be determined by the Board of Directors charged with administering the plan. The exercise price, determined by the Board of Directors, for incentive stock options, shall not be less than 100% of the fair market value of such stock on the date of the grant, and non-statutory stock options, shall not be less than 100% of such fair market value. The plan has vesting requirements. At December 31, 2005, 35,000 shares were exercised.

Note 10 – Capital Structure

At December 31, 2005, the Company had 1,300,000 shares of \$.01 par value common stock, authorized, 960,134 shares issued and 805,134 outstanding respectively. Common shares are voting and dividends are paid at the discretion of the Board of Directors. No dividends were paid in 2005.

All common shares are restricted from transfer without the Company being offered the first right to repurchase shares at a market-value price.

At December 31, 2005, the Company had 330,221 shares of \$1.00 par value, 7 ½% preferred stock outstanding. The Company paid dividends of \$23,115.

Note 11 – Prior Period Adjustment

For the years ended December 31, 2004 and 2003, the Company understated tax exempt municipal bond interest on its federal income tax returns, resulting in an overpayment of federal income taxes of \$91,447 in 2004 and \$53,796 in 2003.

CORBY CAPITAL MARKETS, INC.

Schedule I

For the Year Ended December 31, 2005

2005Statement of Other Expenses

Advertising	\$	40,315
Automobile lease		15,750
Blanket bond		2,202
Contributions		14,450
Courier		3,379
Depreciation		29,147
Health insurance		143,342
Insurance		38,713
Legal and professional fees		125,004
Licenses and taxes		2,564
Maintenance and repairs		20,629
Office expense		12,257
Payroll taxes		124,112
Postage		4,047
Printing		4,373
Professional development		7,943
Rent		157,182
401 (k) and profit sharing plan fees		570
Supplies		20,908
Travel and entertainment		107,824
Utilities		<u>5,544</u>
Total Operating Expenses	\$	<u><u>880,255</u></u>

See auditor's report

Page 11

CORBY CAPITAL MARKETS, INC.

Schedule II

December 31, 2005

2005Computation of Net Capital RequirementsPursuant to SEC Rule 15c3-1

Capital and allowable subordinated liabilities:

Common stock	\$	9,601
Additional paid in capital		983,950
Treasury stock		(231,200)
Retained earnings		912,078
Preferred stock		<u>330,221</u>
Total capital and subordinated liabilities		<u>2,004,650</u>

Unallowable assets:

Property and equipment		87,524
Deferred income taxes		143,102
Deposits		32,602
Prepaid expenses		116,229
Security haircuts		<u>130,589</u>
Total unallowable assets		<u>510,046</u>

Net Capital	\$	<u><u>1,494,604</u></u>
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See auditors' report

Page 12

CORBY CAPITAL MARKETS, INC.

Schedule III

December 31, 2005

Reconciliation of Unaudited Computation of Net
Capital to Audited Computation of Net Capital

Unaudited net capital at December 31, 2005	\$	1,632,677
Net audit adjustments affecting capital:		
1. To adjust prepaids and equipment		219,223
2. To adjust accounts payable, accrued expenses income taxes payable, and other liabilities		<u>(357,296)</u>
Audited net capital at December 31, 2005	\$	<u><u>1,494,604</u></u>

Dunn & Hoban, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
1179 HIGH STREET
WESTWOOD, MA 02090

JOHN A. DUNN, CPA
MEREDITH HOBAN DUNN, CPA

TELEPHONE
781-769-7555
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781-769-6653

To the Board of Directors
Corby Capital Markets, Inc.
Boston, Massachusetts

INDEPENDENT AUDITOR'S SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

In planning and performing our audit of the financial statements of Corby Capital Markets, Inc. for the year ended December 31, 2005, we considered its internal control structure, including procedures 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 structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by Corby Capital Markets, Inc., that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computation of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with exemptive provisions of Rule 15c3-3.

The management of the Company 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 internal control structure policies and procedures 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 Commission's above-mentioned objectives.

Two of the objectives of an internal control structure 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 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 structure or practices and procedures referred to above, errors or irregularities 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 operations may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 elements does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

INDEPENDENT AUDITOR'S SUPPLEMENTARY
REPORT ON INTERNAL ACCOUNTING CONTROL
REQUIRED BY SEC RULE 17A-5

(continued)

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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 objective in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures are adequate at December 31, 2005 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Westwood, Massachusetts
February 22, 2006