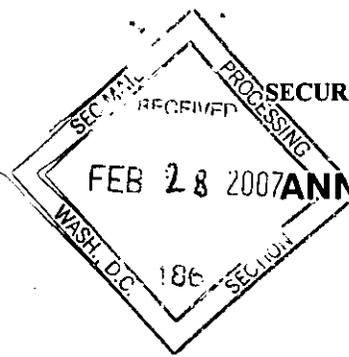




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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
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hours per response..... 12.00

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3/13

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

SEC FILE NUMBER
~~XXXXXXXXXX~~

8-43460

**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 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Blue Capital Securities, Inc
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
29 Broadway

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
New York New York 10006
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Patricia Singer 212-482-2159
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Pustorino, Puglisi & Co., LLP
(Name - if individual, state last, first, middle name)

515 Madison Avenue New York New York 10022
(Address) (City) (State) (Zip Code)

**PROCESSED
MAR 19 2007
THOMSON
FINANCIAL**

- CHECK ONE:
- Certified Public Accountant
 - Public Accountant
 - Accountant not resident 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 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)

AB
3/13

OATH OR AFFIRMATION

I, Eugene M. Singer, 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 Capital Securities, Inc, as of December 31, 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:

2/23/07

[Handwritten Signature]

Signature

President

Title

[Handwritten Signature]

Notary Public

SHANTILAL P. SENJALIA
Notary Public, State of New York
No 019950-1561
Qualified in Queens County
Commission Expires December 20, 09

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).

BLUE CAPITAL SECURITIES, INC.

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT
(CONFIDENTIAL PURSUANT TO RULE 17a-5(e)(3))

DECEMBER 31, 2006

PUSTORINO,
PUGLISI
& CO.,LLP
CERTIFIED PUBLIC ACCOUNTANTS
515 MADISON AVENUE
NEW YORK, NEW YORK 10022
(212) 832.1110 FAX (212) 755.6748



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Blue Capital Securities, Inc.

We have audited the accompanying statement of financial condition of Blue Capital Securities, Inc. (The Company) as of December 31, 2006, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose for expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 Capital Securities, Inc. as of December 31, 2006, and the results of its operations and its 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 Schedule I 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.

PUSTORINO, PUGLISI & CO., LLP
New York, New York
February 2, 2007

BLUE CAPITAL SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2006

ASSETS

Cash and cash equivalents	\$ 16,688
Due from broker	1,390
Investments, at fair value (Note 2)	261,749
Commissions receivable	18,696
Prepaid expenses	26,325
Office furniture and computer equipment, at cost, net of accumulated depreciation of \$298,180	22,403
Leasehold improvements net of accumulated amortization of \$46,688	11,657
Other assets	<u>107,727</u>
 Total Assets	 <u>\$ 466,635</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Accrued expenses	\$ 56,441
Due to stockholder	46,500
Taxes payable	<u>5,522</u>
 Total Liabilities	 <u>108,463</u>

Stockholder's Equity

Common stock - \$.01 par value:	1,000
Authorized - 1,000 shares	
Issued and outstanding - 100 shares	
Additional paid-in capital	1,730,447
Retained deficit	<u>(1,373,275)</u>
 Total Stockholder's Equity	 <u>358,172</u>
 Total Liabilities and Stockholder's Equity	 <u>\$ 466,635</u>

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

BLUE CAPITAL SECURITIES, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

Revenue:

Commissions	\$ 962,476
Investment income	228,811
Other income	<u>34,772</u>
 Total Revenue	 <u>1,226,059</u>

Expenses:

Compensation and related expenses	619,220
Brokerage clearing and exchange fees	211,010
Market development	14,368
Professional fees and temporary services	10,296
Insurance	68,317
Communications, postage, printing, and supplies	54,720
Equipment, depreciation, and amortization	123,781
Rent and related expenses	69,832
Travel and entertainment	54,526
Other operating expenses	<u>106,489</u>
 Total Expenses	 <u>1,332,559</u>
 Net Loss	 <u>\$ (106,500)</u>

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

BLUE CAPITAL SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006

	Number of Shares	Common Stock \$.01 Par Value	Additional Paid-In Capital	Retained Deficit	Total Stockholder's Equity
Balances, January 1, 2006	1,000	\$1	\$1,730,447	\$(1,266,775)	\$ 643,076
Net Loss			-	(106,500)	(106,500)
Balances, December 31, 2006	<u>1,000</u>	<u>\$1</u>	<u>\$1,730,447</u>	<u>\$(1,373,275)</u>	<u>\$ 358,172</u>

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

BLUE CAPITAL SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

<u>Cash Flows From Operating Activities:</u>	
Net Loss	\$(106,500)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	15,318
Unrealized loss on investments	4,855
Realized gain on sale of securities	(8,765)
Changes in assets and liabilities:	
Prepaid expenses	(271)
Due from broker	(1,347)
Other assets	20,036
Amounts due to/from BCS Financial Corporation	0
Commission and fees receivable	5,426
Due to BCS Financial	(6,116)
Accrued expenses	<u>54,629</u>
Net Cash Provided by Operating Activities	<u>(22,735)</u>
<u>Cash Flows Used in Investing Activities:</u>	
Proceeds from sale of securities	21,364
Purchase of office furniture and equipment	<u>(10,457)</u>
Net Cash Provided by Investing Activities	10,907
Net increase in cash and cash equivalents	(11,828)
Cash and cash equivalents, beginning of year	<u>28,516</u>
Cash and cash equivalents, end of year	<u>\$ 16,688</u>

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

BLUE CAPITAL SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 1 - Significant Accounting Policies:

Blue Capital Securities, Inc. (the Company) is a registered securities broker and dealer under the Securities Exchange act of 1934, with membership in the National Association of Securities Dealers, Inc., and the Securities Investor Protection Corporation. It operates out of its sole office in New York City, NY.

The Company acts as an introducing broker, and all transactions for its customers are cleared through and carried by Bear, Stearns & Co., Inc. on a fully disclosed basis. Accordingly, open customer transactions are not reported in the accompanying statement of financial condition.

Basis of Presentation:

The Company keeps its books and prepares its financial statements on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

Investments:

Investments are carried at fair value. Fair value is determined using independent pricing sources. Interest income is recognized as income when earned. Realized gains and losses on investments are determined on a specific identification basis, and along with unrealized gains and losses, are credited or charged to income. Transactions in securities owned and the related revenues and expenses are recorded on a trade-date basis.

Depreciation and Amortization:

Depreciation and amortization of property and equipment is provided for by the double-declining balance method over the estimated useful lives of the respective assets.

Cash and Cash Equivalents:

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

Revenue Recognition:

The Company recognizes commissions as earned on a trade date basis.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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 may differ from those estimates.

BLUE CAPITAL SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Corporate Income Taxes:

The Company is an "S" Corporation for Federal and NYS purposes. As a result, any income taxes are the responsibility of its sole shareholder. The Company is still responsible for NYC Corporate Income Taxes.

Note 2 - Investments:

The Company's investments are summarized as follows:

Fixed maturities greater than five years:	
U.S. Treasury and agencies	\$106,258
Corporate securities	<u>155,491</u>
Subtotal	<u>261,749</u>
Total Investments	<u>\$261,749</u>

Investment income consists of the following:

Interest and dividends	\$224,902
Realized gains	8,764
Unrealized losses	<u>(4,855)</u>
	<u>\$228,811</u>

Note 3 - Net Capital Requirements:

The Company is subject to the SEC Uniform Net Capital Rule (rule 15c3-1) which requires the maintenance of a minimum net capital, as defined, of the greater of \$100,000 or one-fifteenth of aggregate indebtedness, as defined. As of December 31, 2006, the Company had net capital of 180,362 which exceeded its requirement by 130,362. Additionally, the Company must maintain a ratio of aggregate indebtedness to net capital of 15:1 or less. As of December 31, 2006 this ratio was .60:1.

The Company is exempt from the provisions of Rule 15c3-3 of the SEC since the Company's activities are limited to those set forth in the conditions for exemption pursuant to subsection k(2)(ii) of the Rule.

Note 4 - Income Taxes:

The Company has available to it a net operating loss carryforward of approximately \$300,000 to offset future NYC corporate income. For purposes of deferred income taxes the carryforward is not recognized as an asset of the Company owing to a valuation allowance against it due to there not being a history of net income necessary in order for it to be utilized.

BLUE CAPITAL SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 5 - Commitments and Contingencies:

The Company is obligated under an amended lease agreement expiring through 2010. Beginning on September 1, 2005, under the provisions of one of these lease agreements, the Company has the right to terminate the lease upon 90 days written notice.

Approximate future aggregate annual rental payments under the leases are as follows:

<u>Year ending December 31,</u>	<u>Lease</u>
2007	\$ 59,811
2008	59,811
2009	<u>59,811</u>
Total	<u>\$179,433</u>

The following schedule shows the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	<u>2006</u>
Rent Expense	\$ 63,717
Less: Sublease rent	<u>(8,014)</u>
	<u>\$ 55,703</u>

Rent expense of \$63,717 is included as part of rent and related expense on the statement of operations.

Note 6 - Off-Balance Sheet Risk:

Pursuant to a clearance agreement, the Company introduces all of its securities transactions to its clearing broker on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company and must maintain, at all times, a clearing deposit of not less than \$250,000. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts. In addition, the receivable from clearing broker is pursuant to the clearance agreement.



Board of Directors
Blue Capital Securities, Inc.:

In planning and performing our audit of the financial statements of Standard Blue Capital Securities, Inc. (the Company), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included test 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 (or aggregate debits) 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 and recordation of differences required by rule 17a-13.
2. 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 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 internal control and 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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 that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of Board of Directors, 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.

Pustorino, Puglisi & Co., LLP

Pustorino, Puglisi & Co., LLP
New York, New York
February 2, 2007

END