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

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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: McKeon Brothers, LLC  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
65 Broadway, Suite 1004

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  
Alan Krim (212) 668-8700  
 (Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Weiser LLP  
 (Name - if individual, state last, first, middle name)  
3000 Marcus Avenue Lake Success New York 11042  
 (Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

PROCESSED  
 MAR 15 2005  
 THOMSON 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)

OATH OR AFFIRMATION

I, William McKeon, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of McKeon Brothers, LLC, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

William McKeon  
Signature  
Chief Executive Officer  
Title

Christine Cooper  
Notary Public

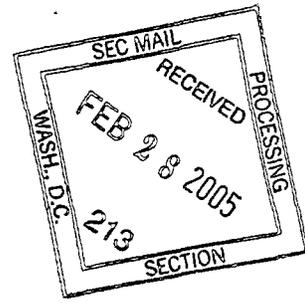
CHRISTINE COOPER  
Notary Public, State Of New York  
No. 01006085064  
Qualified In Queens County  
Commission Expires Dec. 23, 2006

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~~ Cash Flows.
- (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.
- (o) Independent Auditors' Report on Internal Accounting Control.

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

**MCKEON BROTHERS, LLC  
(A LIMITED LIABILITY COMPANY)**



\*\*\*\*\*

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2004**

\*\*\*\*\*

**MCKEON BROTHERS, LLC**  
**(A LIMITED LIABILITY COMPANY)**

**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2004**

**A S S E T S**

Cash and cash equivalents	\$ 49,888
Receivable from broker, dealer and clearing organization	107,394
Commissions receivable	410,729
Prepaid income taxes	19,913
Other assets	<u>12,672</u>
	<u>\$ 600,596</u>

**LIABILITIES AND MEMBERS' EQUITY**

Liabilities:	
Accrued expenses and other payables	\$ 94,353
Deferred tax liability	<u>13,000</u>
	107,353
Members' equity:	
Members' capital	<u>493,243</u>
	<u>\$ 600,596</u>

**The accompanying notes are an integral part of this financial statement.**

**MCKEON BROTHERS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**NOTES TO FINANCIAL STATEMENT**

**1. ORGANIZATION AND NATURE OF BUSINESS:**

McKeon Brothers, LLC (the "Company") was organized as a limited liability company under the laws of the State of New York and will exist as such until December 31, 2027. The Company is a broker-dealer registered with the Securities and Exchange Commission and is a member of the New York Stock Exchange. The Company principally engages in executing transaction orders on the floor of the New York Stock Exchange on behalf of its clients.

Members of a limited liability company have limited personal liability for the obligations or debts of the entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Securities Transactions:**

Securities transactions and related commission revenue and expenses are recorded on a settlement date basis. The recording of securities transactions on a trade date basis was considered, and the difference was deemed immaterial.

**Cash Equivalents:**

The Company considers all money market accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Use of Estimates:**

The preparation of financial statements in accordance with generally accepted accounting principles 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 could differ from those estimates.

**Income Taxes:**

The Company is treated as a partnership for federal income tax purposes. Consequently, the Company is not itself subject to federal and state income taxes. Members are liable for their distributive shares of the Company's income and losses. However, the Company is subject to New York City unincorporated business tax.

The Company uses the asset and liability method to calculate deferred tax assets and liabilities. Deferred taxes are recognized based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled.

Deferred taxes are recorded to reflect the tax effect of the temporary differences arising as a result of the Company's utilizing the cash basis of accounting for income tax reporting purposes rather than the accrual basis of accounting used for financial reporting purposes.

**3. RECEIVABLE FROM BROKER, DEALER AND CLEARING ORGANIZATION:**

Receivable from broker, dealer and clearing organization arises as a result of the Company's normal securities transactions.

**4. SEAT LEASE:**

The Company leases three seats on the New York Stock Exchange. The lease payments, some of which are guaranteed by the Company, are as follows:

<u>Expiration Date</u>	<u>Annual Lease Payments</u>
May 21, 2005	\$192,000
September 2, 2005	120,000
October 7, 2005	102,000

**5. INCOME TAXES:**

Deferred taxes are a result of temporary differences arising primarily from commissions receivable, prepaid expenses and accrued expenses and other payables. The deferred taxes are as follows:

Deferred tax asset	\$ 3,800
Deferred tax liability	<u>(16,800)</u>
Net deferred tax liability	<u>\$ (13,000)</u>

**6. CLEARANCE AGREEMENT:**

The Company operates principally under a clearance agreement with another broker, whereby such broker assumes and maintains the Company's customer accounts. As part of this agreement, the Company will be required to maintain with the broker cash or securities of not less than \$100,000. This deposit is included with the receivable from broker, dealer and clearing organization.

**7. NET CAPITAL REQUIREMENTS:**

The Company is subject to the uniform net capital requirements of rule 15c3-1 of the Securities and Exchange Commission, as amended, which requires a broker-dealer to have, at all times, sufficient liquid assets to cover current indebtedness. In accordance with the rule, the broker-dealer is required to maintain defined minimum net capital of the greater of \$5,000 or 1/15 of aggregate indebtedness. At no time may the ratio of aggregate indebtedness to net capital exceed 15 to 1.

At December 31, 2004, the Company had net capital, as defined, of \$319,292 which was \$303,402 in excess of its required net capital of \$15,890. At December 31, 2004, the Company had aggregate indebtedness of \$238,353. The ratio of aggregate indebtedness to net capital was .75 to 1.

**8. OFF-BALANCE-SHEET RISK:**

The Company, as an introducing broker, clears all transactions with and for customers on a fully disclosed basis with the clearing broker, who carries all of the accounts of such customers. The Company does not maintain margin accounts for its customers; therefore, there were no excess margin securities. However, the Company may be liable for chargebacks on introduced customer accounts carried by the clearing broker. In addition, the Company may be exposed to off-balance-sheet risk in the event the clearing broker is unable to fulfill its contractual obligations.

The Company has cash at a bank in excess of FDIC insured limits and is exposed to the credit risk resulting from this concentration. At December 31, 2004, this credit risk amounts to \$12,100.

**9. PROFIT SHARING PLAN:**

The Company sponsors a defined contribution profit sharing plan. The plan covers substantially all of the Company's employees following the completion of one year of service. The plan is funded through a separate trust account. The contribution to the plan, which is at the Company's discretion, is determined annually by management.

**10. MANDATORILY REDEEMABLE SECURITIES:**

In May of 2003, the Financial Accounting Standard Board ("FASB") released Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. The statement required nonpublic Broker Dealers to reclassify equity interests with mandatorily redeemable features as liabilities, effective with the first fiscal year starting after December 15, 2003. As the Company's operating agreement had such redeemable features, the Company was required to reclassify its members' capital as a liability. The Company was, however, able to take advantage of the temporary net capital relief available to it pursuant to an SEC No-Action letter to the SIA Capitol Committee, dated February 19, 2004. Under this temporary net capital relief, the Company treated its members' capital with mandatorily redeemable features as a liability, but was allowed to add back to net worth the carrying amount of this mandatorily redeemable financial instrument for purposes of calculating net capital.

As of December 31, 2004, the Company has amended its operating agreement so that its members' capital is no longer deemed to be mandatorily redeemable securities.

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The Company's Statement of Financial Condition as of December 31, 2004 is available for examination at the office of the Company and at the Regional Office of the Securities and Exchange Commission.

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### INDEPENDENT AUDITORS' REPORT

To the Members  
McKeon Brothers, LLC

We have audited the accompanying statement of financial condition of McKeon Brothers, LLC (a limited liability company) (the "Company") as of December 31, 2004 that you are filing pursuant to rule 17a-5 under the Securities Exchange 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 financial statement referred to above presents fairly, in all material respects, the financial position of McKeon Brothers, LLC at December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

*Weiser LLP*

CERTIFIED PUBLIC ACCOUNTANTS

Lake Success, N.Y.  
February 14, 2005