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**ANNUAL AUDITED REPORT**

**FORM X-17A-5**

**PART III**

SEC FILE NUMBER

8-65366

**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:  
**Rearden Securities, LLC**

OFFICIAL USE ONLY

FIRM ID. NO.

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

**2930 Waters Road, Suite B-190**

(No. and Street)

**Eagan**

(City)

**Minnesota**

(State)

**55121**

(Zip Code)

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

**Dan Leach**

**(952) 908-1122**

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

PROCESSED

**Mayer Hoffman McCann P.C.**

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

MAR 23 2005

**222 South 9<sup>th</sup> Street, Suite 1700**

(Address)

**Minneapolis**

(City)

**MN**

(State)

THOMSON  
FIN 55402A1

(Zip Code)

CHECK ONE:

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

REC'D S.E.C.

FEB 23 2005

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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).

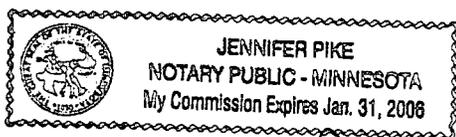
SEC 1410 (06-02)

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05/17/05

## OATH OR AFFIRMATION

I, Dan Leach, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Rearden Securities, 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:



*Jennifer Pike*  
Notary Public

*Dan Leach*  
Signature  
*Manager*  
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 15c-3-3 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.
- (o) Independent Auditing report on internal accounting controls.

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

**REARDEN SECURITIES, LLC**

**FINANCIAL STATEMENTS**

Years Ended December 31, 2004 and 2003



Mayer Hoffman McCann P.C.

An Independent CPA Firm

1700 Campbell Mithun Tower  
222 South Ninth Street  
Minneapolis, MN 55402  
phone: 612-339-7811  
fax: 612-339-9845  
www.mhm-pc.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

### REARDEN SECURITIES, LLC.

We have audited the statements of financial condition of Rearden Securities, LLC as of December 31, 2004 and 2003 and the related statements of operations, members' equity, and cash flows for the years then ended, that you are filing pursuant to Rule 17a-5(g) 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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 Rearden Securities, LLC as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Mayer Hoffman McCann P.C.*

Minneapolis, Minnesota

February 4, 2005

REARDEN SECURITIES, LLC

STATEMENTS OF FINANCIAL CONDITION

December 31, 2004 and 2003

|                                       | <u>2004</u>      | <u>2003</u>     |
|---------------------------------------|------------------|-----------------|
| <b><u>ASSETS</u></b>                  |                  |                 |
| ASSETS                                |                  |                 |
| Cash                                  | \$ 10,554        | \$ 9,541        |
| Deposits                              | 579              | 67              |
| TOTAL ASSETS                          | <u>\$ 11,133</u> | <u>\$ 9,608</u> |
| <b><u>LIABILITIES</u></b>             |                  |                 |
| LIABILITIES                           |                  |                 |
| Accounts payable and accrued expenses | \$ 699           | \$ 1,416        |
| TOTAL LIABILITIES                     | <u>699</u>       | <u>1,416</u>    |
| <b><u>MEMBER'S EQUITY</u></b>         |                  |                 |
| MEMBER'S EQUITY                       |                  |                 |
| Member's equity                       | <u>10,434</u>    | <u>8,192</u>    |
| TOTAL MEMBER'S EQUITY                 | <u>10,434</u>    | <u>8,192</u>    |
| TOTAL LIABILITIES AND MEMBER'S EQUITY | <u>\$ 11,133</u> | <u>\$ 9,608</u> |

See Notes to Financial Statements

REARDEN SECURITIES, LLC

STATEMENTS OF OPERATIONS

Years Ended December 31, 2004 and 2003

|                              | <u>2004</u>        | <u>2003</u>        |
|------------------------------|--------------------|--------------------|
| REVENUES                     |                    |                    |
| Consulting fees              | \$ 87,648          | \$ 4,400           |
| TOTAL REVENUES               | <u>87,648</u>      | <u>4,400</u>       |
| OPERATING EXPENSES           | <u>119,656</u>     | <u>48,747</u>      |
| OPERATING INCOME (LOSS)      | <u>(32,008)</u>    | <u>(44,347)</u>    |
| OTHER INCOME                 |                    |                    |
| Introduction fees            | 5,500              | -                  |
| TOTAL OTHER INCOME (EXPENSE) | <u>5,500</u>       | <u>-</u>           |
| NET INCOME (LOSS)            | <u>\$ (26,508)</u> | <u>\$ (44,347)</u> |

See Notes to Financial Statements

REARDEN SECURITIES, LLC

STATEMENTS OF CHANGES IN MEMBER'S EQUITY

Years Ended December 31, 2004 and 2003

|                            | <b>Total<br/>Member's<br/>Equity</b> |
|----------------------------|--------------------------------------|
| Balance, December 31, 2002 | \$ 24,339                            |
| Capital contributions:     |                                      |
| Cash                       | 23,200                               |
| Contributed services       | 5,000                                |
| Net income (loss)          | <u>(44,347)</u>                      |
| Balance, December 31, 2003 | 8,192                                |
| Capital contributions:     |                                      |
| Cash                       | 25,000                               |
| Contributed services       | 3,750                                |
| Net income (loss)          | <u>(26,508)</u>                      |
| Balance, December 31, 2004 | <u><u>\$ 10,434</u></u>              |

See Notes to Financial Statements

REARDEN SECURITIES, LLC

STATEMENTS 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)   | \$ (26,508)      | \$ (39,347)     |
| Adjustments to reconcile net income (loss) to net cash flows from operating activities: |                  |                 |
| Decrease (increase) in operating assets:  |                  |                 |
| Deposits  | (512)            | 140             |
| Increase (decrease) in operating liabilities:   |                  |                 |
| Accounts payable and accrued expenses   | (717)            | (1,962)         |
| NET CASH FLOWS FROM OPERATING ACTIVITIES  | <u>(27,737)</u>  | <u>(41,169)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                  |                 |
| Capital contributions   | 28,750           | 23,200          |
| Dividends paid  | -                | -               |
| NET CASH FLOWS FROM FINANCING ACTIVITIES  | <u>28,750</u>    | <u>23,200</u>   |
| NET INCREASE (DECREASE) IN CASH   | 1,013            | (17,969)        |
| CASH, BEGINNING OF YEAR   | <u>9,541</u>     | <u>27,510</u>   |
| CASH, END OF YEAR   | <u>\$ 10,554</u> | <u>\$ 9,541</u> |

See Notes to Financial Statements

## REARDEN SECURITIES, LLC

### NOTES TO FINANCIAL STATEMENTS

#### (1) Nature of business and significant accounting policies

**Nature of business** - Rearden Securities, LLC (the Company) arranges private financing of \$5 million to \$50 million for both public and private companies. The Company provides investment banking and advisory services to corporate clients regarding strategic financial and general business matters.

**A summary of the Company's significant accounting policies follows:**

**Cash and cash equivalents** - For purposes of reporting the statement of cash flows, the Company includes all cash accounts and all highly liquid investments purchased with a maturity of three months or less, other than securities held for sale in the normal course of business, as cash and cash equivalents on the accompanying statement of financial condition. At times cash balances may be in excess of FDIC insurance limits.

**Revenue recognition** - Investment banking fee income is recognized when earned, typically upon closing of the transaction. Income from consulting is recognized monthly upon completion of the services provided. Reimbursements for expenses advanced on clients' behalf are recognized as the expenses are incurred.

**Income taxes** - The Company is a limited liability company, and as such, is taxed as a partnership. As a result, its member's separately account for their prorata share of the entity's items of income, deduction, losses, and credits. Therefore, the financial statements do not include an accrual for corporate income taxes.

**Concentration of credit risk** - As a broker and dealer, the Company is engaged in various securities activities, principally involving investment banking services to obtain debt and or equity capital for both private and public companies. The Company's investment banking activities are performed on a "best efforts" basis. The Company is exposed to credit risk associated with the nonperformance of these customers in fulfilling their contractual obligations pursuant to these services.

**Use of estimates** - The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### (2) Net capital requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, 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. In addition, restrictions may be imposed to prohibit equity withdrawals or cash dividends if the resulting net capital ratio would exceed 10 to 1. At December 31, 2004, the Company had net capital as defined by Rule 15c3-1 of \$9,855, which exceeds its required net capital of \$5,000 by \$4,855. The Company's ratio of aggregate indebtedness to net capital was .07 to 1 at December 31, 2004.

## REARDEN SECURITIES, LLC

### NOTES TO FINANCIAL STATEMENTS

**( 3 ) Exemption**

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission. Therefore, the Company is not required to make the periodic computation of reserve requirements for the exclusive benefit of customers.

**( 4 ) Related party transaction**

The Company shared office space in Eagan, Minnesota with a company in which the president has a financial interest. The Company paid rent to the affiliate in the amount of \$8,950 under a month-to-month lease arrangement.

Rent expense charged to operations was \$12,700 for the year 2004. This amount includes the \$9,000 of rent paid and \$3,700 of rent considered to have been contributed by the affiliate (see Note 5 below).

The affiliated company paid the Company \$63,000 in 2004 for financial consulting services.

**( 5 ) Member's equity**

During 2002, the Company received \$50,000 as the initial capital contribution from its member. In conjunction with the ownership interest, the Company and the member entered into certain agreements which include a policy for sharing revenues. During the period ended December 31, 2003 and 2002, the sole member made additional capital contributions of \$25,000 and \$23,200.

A company in which the president of the Rearden has a financial interest contributed the value of rent and phone services for the period September through March 2004. The \$5,000 and \$3,700 value of these services was recorded as contributed capital in 2003 and 2004, respectively.

**( 6 ) Subsequent event**

On January 25, 2005, one of the members contributed additional capital of \$10,000.



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL

To the Board of Directors

### **REARDEN SECURITIES, LLC**

We have audited the financial statements of Rearden Securities, LLC for the year ended December 31, 2004, and have issued our report thereon dated February 4, 2005. As part of our audit, we made a study and evaluation of the Company's system of internal accounting control (which includes the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3 (a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; or in complying with the requirements for prompt payment for securities of Section 4(c) of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting 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 control 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. The objectives of a system 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 accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

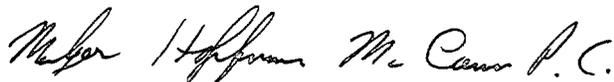
To the Board of Directors  
Rearden Securities, LLC  
Page 2

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless 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 degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Rearden Securities LLC taken as a whole. Our study and evaluation disclosed no condition that we believed to be a material weakness, and no facts came to our attention to cause us to believe that the Company was not in compliance with the exemptive provisions of Rule 15c3-3.

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 and 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 were adequate at December 31, 2004, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and the National Association of Securities Dealers, Inc., and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of members, and should not be used for any other purpose.



Minneapolis, Minnesota  
February 4, 2005



Mayer Hoffman McCann P.C.

An Independent CPA Firm

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## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors

### REARDEN SECURITIES, LLC

We have audited the financial statements of Rearden Securities, LLC as of December 31, 2004. Our audit was made for the purpose of forming an opinion on the basic financial statements.

The information contained in Schedules I, II, III, and IV are presented for purposes of additional analysis and is not a required part of the basic financial statements, but is additional information required by Rule 17a-5 of the Securities and Exchange Commission. 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.

*Mayer Hoffman McCann P.C.*

Minneapolis, Minnesota  
February 4, 2005

**REARDEN SECURITIES, LLC**  
**COMPUTATIONS RELATED TO NET CAPITAL UNDER RULE 15c 3-1**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**December 31, 2004**  
**COMPUTATION OF NET CAPITAL**

|   |   |          |        |
|---|---|----------|--------|
| 1. Total ownership equity from Statement of Financial Condition |   | \$       | 10,434 |
| <hr/>   |   |          |        |
| 2. Deduct: ownership equity not allowable for net capital       |   |          |        |
| <hr/>   |   |          |        |
| 3. Total ownership equity qualified for net capital             |   |          | 10,434 |
| 4. Add:   |   |          |        |
| a.  | Liabilities subordinated to claims of general creditors allowable in computation of net capital |          | 0      |
| b.  | Other (deductions) or allowable credits<br>Deferred taxes on non allowable assets               |          |        |
| <hr/>   |   |          |        |
| 5. Total capital and allowable subordinated liabilities         |   |          | 10,434 |
| 6. Deduction and/or charges:                                    |   |          |        |
| a.  | Total non-allowable assets included in Statement of Financial Condition:                        | \$       | 579    |
| b.  | Secured demand note deficiency  |          | 0      |
| c.  | Commodity futures contracts and spot commodities-proprietary capital charges                    |          | 0      |
| d.  | Other deductions and/or charges contingent liability  | <u>0</u> | 579    |
| <hr/>   |   |          |        |
| 7. Other additions and/or allowable credits:                    |   |          |        |
|   | Deferred taxes on unrealized appreciation of investment securities                              |          | 0      |
| <hr/>   |   |          |        |
| 8. Net capital before haircuts on securities positions          |   |          | 9,855  |
| 9. Haircuts on securities:                                      |   |          |        |
| a.  | Contractual securities commitments  |          |        |
| b.  | Subordinated securities borrowings  |          |        |
| c.  | Trading and investment securities:  |          |        |
| i.  | Exempted securities   |          |        |
| ii.   | Debt securities   |          |        |
| iii.  | Options   |          |        |
| iv.   | Other securities  |          | 0      |
| d.  | Undue concentration (illiquid investment securities)  |          |        |
| e.  | Other   |          |        |
| <hr/>   |   |          |        |
| 10. Net capital   |   | \$       | 9,855  |

**REARDEN SECURITIES, LLC**  
**COMPUTATIONS RELATED TO NET CAPITAL UNDER RULE 15c 3-1**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**December 31, 2004**  
**COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS**  
**AND AGGREGATE INDEBTEDNESS**

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS**

|  |    |       |
|--|----|-------|
| 11. Minimum net capital required (6-2/3% of line 19)   | \$ | 47    |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries | \$ | 5,000 |
| 13. Net capital requirement (greater of line 11 or 12)   | \$ | 5,000 |
| 14. Excess net capital (line 10 less 13)   | \$ | 4,855 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19)  | \$ | 9,785 |

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

|  |    |       |
|--|----|-------|
| 16. Total A.I. liabilities included in Statement of Financial Condition                  | \$ | 699   |
| 17. Add:   |    |       |
| a. Drafts for immediate credit   |    |       |
| b. Market value of securities borrowed for which no equivalent value is paid or credited |    |       |
| c. Other unrecorded amounts contingent liability   |    | 0     |
| 19. Total aggregate indebtedness   | \$ | 699   |
| 20. Ratio of aggregate indebtedness to capital (line 19 divided by line 10)              |    | 0.071 |

**REARDEN SECURITIES, LLC**  
**RECONCILIATION WITH COMPANY'S COMPUTATIONS RELATED**  
**TO NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**(Included in Part IIA of Form X-17A-5 as of December 31, 2004)**

**RECONCILIATION WITH COMPANY'S COMPUTATION OF NET CAPITAL**

|   |                 |
|---|-----------------|
| Net capital as reported in Part I of Form X-17A-5       | \$ 9,855        |
| Net audit adjustments                                   | -               |
| <hr/>   |                 |
| <b>Net capital as reported on line 10 of Schedule I</b> | <b>\$ 9,855</b> |

**RECONCILIATION WITH COMPANY'S COMPUTATION OF AGGREGATE INDEBTEDNESS**

|   |               |
|---|---------------|
| Total aggregate indebtedness as reported in Part IIA of Form X-17A-5      | \$ 699        |
| Net audit adjustments   | -             |
| <hr/>   |               |
| <b>Total aggregate indebtedness as reported on line 19 of Schedule II</b> | <b>\$ 699</b> |

**REARDEN SECURITIES, LLC  
COMPUTATIONS RELATED TO NET CAPITAL UNDER RULE 15c 3-1  
OF THE SECURITIES EXCHANGE ACT OF 1934  
December 31, 2004  
STATEMENT PURSUANT TO 15c 3-3 SECURITIES EXCHANGE ACT OF 1934**

As more fully described in Note 3 of the notes to financial statements, the Company does not hold funds or securities of customers. Accordingly, the Company is exempt from the requirements to maintain a "Special Reserve Account for the Exclusive Benefit of Customers" under provisions of SEC Rule 15c 3-3 based on paragraph K(2)(iii) of the rule.