

SECURITIES

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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 4/6/2004 (Date of inception) AND ENDING 12/31/2004  
MM/DD/YY MM/DD/YY

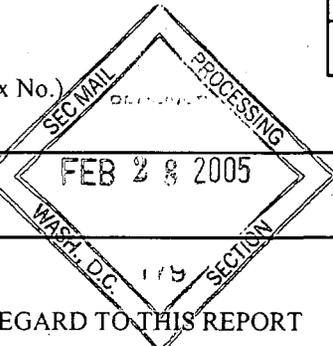
**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Henley & Company LLC

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
EAB Plaza-West Tower  
(No. and Street)

Uniondale New York 11556  
(City) (State) (Zip Code)



NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Francis P. Gemino (516)-794-5520  
(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Rothstein, Kass and Company, PC  
(Name -- if individual, state last, first, middle name)

85 Livingston Avenue Roseland New Jersey 7068  
(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 23 2005**

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THOMSON FINANCIAL

\*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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TLH  
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OATH OR AFFIRMATION

I, Francis P. Gemino, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Henley & Company 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:

Francis P. Gemino
Signature
CEO (CHIEF EXECUTIVE OFFICER)
Title

George Goldman
Notary Public

GEORGE GOLDMAN
Notary Public, State of New York
No. 4929400
Qualified in Suffolk County
Commission Expires May 2, 2008

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Cash Flows
(e) Statement of Member's 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 auditor's report on internal accounting control.
(p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

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

**HENLEY & COMPANY LLC**  
STATEMENT OF FINANCIAL CONDITION  
AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2004

# HENLEY & COMPANY LLC

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## INDEPENDENT AUDITORS' REPORT

To the member  
Henley & Company LLC

We have audited the accompanying statement of financial condition of Henley & Company LLC. (the "Company") as of December 31, 2004. The statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of Henley & Company LLC as of December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

*Rothstein, Kass & Company, P.C.*

Roseland, New Jersey  
January 20, 2005

# HENLEY & COMPANY LLC

## STATEMENT OF FINANCIAL CONDITION

December 31, 2004

### ASSETS

Cash and cash equivalents	\$	218,763
Deposit with clearing broker		100,303
Office equipment, net		5,577
Other assets		16,359
	\$	<u>341,002</u>

### LIABILITIES AND MEMBER'S EQUITY

#### Liabilities

Accounts payable and accrued expenses	\$	28,995
Due to affiliate		9,583
Total liabilities		<u>38,578</u>

#### Member's equity

		<u>302,424</u>
	\$	<u>341,002</u>

# HENLEY & COMPANY LLC

## NOTES TO FINANCIAL STATEMENTS

### 1. Nature of business

Henley & Company LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company's operations consist principally of engaging in securities principal transactions and providing investment banking services. The Company did not commence operations until January of 2005.

### 2. Summary of significant accounting policies

#### *Cash and Cash Equivalents*

The Company considers money market accounts to be cash equivalents.

#### *Office Equipment*

Office equipment is stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization as follows:

<b>Asset</b>	<b>Useful Life</b>	<b>Estimated Principal Method</b>
Computer hardware	5 years	Straight-line
Computer software	3 years	Straight-line

#### *Income Taxes*

The Company is treated as a partnership for federal and state income tax purposes and, accordingly, does not record a provision for income taxes because the individual member reports his share of the Company's income or loss on his individual income tax returns.

#### *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 disclosed in the financial statements. Actual results could differ from those estimates.

# HENLEY & COMPANY LLC

## NOTES TO FINANCIAL STATEMENTS

### 3. Office equipment

Details of office equipment at December 31, 2004 are as follows:

Computer hardware	\$	1,100
Computer software		4,661
		<u>5,761</u>
Less accumulated depreciation and amortization		<u>184</u>
	\$	<u>5,577</u>

### 4. Deposit with clearing broker

Pursuant to an agreement with a clearing broker, the Company was required to maintain a clearing deposit of \$100,000.

### 5. Net capital requirement

As a member of the NASD, the Company is subject to the SEC Uniform Net Capital Rule 15c3-1. This rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 in the initial year of operations, and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2004, the Company's net capital was approximately \$280,000, which was approximately \$230,000 in excess of its minimum requirement of \$50,000.

### 6. Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provisions under sub-paragraph (k)(2)(ii) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

### 7. Related party transactions

At December 31, 2004, the Company owed \$9,583 to Henley Capital Management, Inc., a related party. The balance arose from the payment of organization costs by Henley Capital Management, Inc. on behalf of the Company.

# HENLEY & COMPANY LLC

## NOTES TO FINANCIAL STATEMENTS

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### **8. Off-balance sheet risk and concentration of credit risk**

Pursuant to a clearance agreement, the Company will introduce all of its securities transactions to its sole clearing broker on a fully-disclosed basis. All of the customers' money balances and long and short security positions for these securities will be carried on the books of the clearing broker. Under certain conditions, as defined in the clearance agreement, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the securities transactions introduced by the Company.

In the normal course of business, the Company's customer activities will involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company maintains its cash balances in one financial institution. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000.

### **9. Subsequent event**

The Company is currently in the process of assigning certain contracts from Henley Capital Management, Inc., a related company, such as the lease agreement for the office space and the 401(k) plan for its employees. As such, beginning with the commencement of operations on January 5, 2005, the Company will be paying for all expenses relating to its broker-dealer operations.