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

SEC FILE NUMBER  
 8-52978

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: Allegiance Capital LLC

OFFICIAL USE ONLY  
 FIRM I.D. NO.

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

50 Donald B Dean Drive  
 (No. and Street)  
South Portland Maine 04106  
 (City) (State) (Zip Code)

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

Neal Richard 207 874-2352  
 (Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Clark Dana C.  
 (Name - if individual, state last, first, middle name)  
128 Auburn Street, Portland Maine 04103-2145  
 (Address) (City) (State) (Zip Code)

PROCESSED  
 MAR 15 2005  
 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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

5/14/05

OATH OR AFFIRMATION

I, Neal P. Richard, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Allégeance Capital LLC, as of DECEMBER 31, 2009, 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:

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

Neal P. Richard  
Signature  
FINANCIAL OPERATIONS PRINCIPAL  
Title

\_\_\_\_\_  
Notary Public

- 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 15c3-3 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.

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



## ALLEGIANCE CAPITAL, L.L.C.

50 Donald B Dean Drive  
Suite One  
South Portland, ME 04106  
Phone: 207-879-2352  
Fax: 207-879-2374

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## FAX

<b>To:</b> Sonja Osborne, Examiner	<b>From:</b> Mike Chase
<b>Fax:</b> (703) 914-4368	<b>Pages:</b> 2
<b>Phone:</b>	<b>Date:</b> March 11, 2005
<b>RE:</b> Form X-17A-5	<b>Cc:</b>

### MEMO:

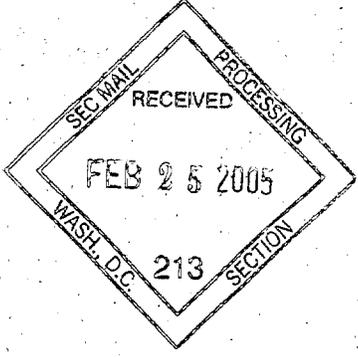
Thank you in advance,  
Michael Chase  
Assistant to Neal Richard

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If you are not the addressee, or the person responsible for delivering it to the addressee, you are hereby notified that reading, disseminating, distributing or copying this facsimile is strictly prohibited.

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8-32770



Allegiance Capital, LLC

FINANCIAL STATEMENTS

Years Ended December 31, 2004 and 2003

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128 Auburn Street  
Portland, Maine 04103  
(207) 797-2746  
FAX: (207) 797-2796

Dana C. Clark, CPA, MST  
Suzanne Friel, CPA, MST  
Bryant F. Nicholson, CPA  
M. Patrick Joyce, CPA

Independent Auditors' Report

Allegiance Capital, LLC  
236 Gannett Drive  
South Portland, ME 04106

We have audited the accompanying statements of financial condition of Allegiance Capital, LLC (a limited liability company) as of December 31, 2004 and 2003, and the related statements of income, changes in members' equity and cash flows for the years 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 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 Allegiance Capital, LLC at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years 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 the Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission 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.

*Clark, Friel and Nicholson, P.A.*

Clark, Friel and Nicholson, P.A.

February 21, 2005

Allegiance Capital, LLC  
 STATEMENTS OF FINANCIAL CONDITION  
 December 31, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 48,647	\$ 33,634
Accounts receivable	2,538	40,880
Prepaid expenses	1,998	1,998
Due from affiliates	<u>39,186</u>	<u>30,643</u>
Total current assets	<u>92,369</u>	<u>107,155</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture (net of accumulated depreciation of \$1,350 in 2004 and 2003)	<u>-</u>	<u>-</u>
<b>OTHER ASSETS</b>		
Cash and cash equivalents - restricted	25,000	25,000
Start-up costs (net of accumulated amortization of \$3,721 in 2004 and \$2,683 in 2003)	<u>1,471</u>	<u>2,509</u>
Total other assets	<u>26,471</u>	<u>27,509</u>
	<u>\$118,840</u>	<u>\$134,664</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,561	\$ 5,258
Due to affiliate	<u>-</u>	<u>4,216</u>
Total current liabilities	2,561	9,474
<b>MEMBERS' EQUITY</b>	<u>116,279</u>	<u>125,190</u>
	<u>\$118,840</u>	<u>\$134,664</u>

The accompanying notes are an integral part of these statements.

Allegiance Capital, LLC  
 STATEMENTS OF INCOME  
 Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Commissions and consulting	\$276,330	\$208,801
Interest income	<u>844</u>	<u>983</u>
 Total revenues	 <u>277,174</u>	 <u>209,784</u>
 <b>OPERATING EXPENSES</b>		
Brokerage, exchange and clearance fees	98,852	53,116
Advertising	-	335
Conference and meetings	495	430
Filing fees	2,128	2,149
Insurance	678	663
Interest expense	23	331
Professional development	320	283
Professional fees	37,276	26,975
Rent	8,492	8,065
Equipment rental	-	581
Management fees	41,666	77,691
Travel and entertainment	9,148	6,601
Utilities	1,290	1,325
Telephone	4,825	5,447
Amortization	1,038	1,039
Office expenses	7,521	7,799
Repairs and maintenance	503	342
Taxes - other	1,472	1,488
Bad debts	40,305	-
Miscellaneous	<u>1,259</u>	<u>773</u>
 Total operating expenses	 <u>257,291</u>	 <u>195,433</u>
 <b>NET INCOME</b>	 <u>\$ 19,883</u>	 <u>\$ 14,351</u>

The accompanying notes are an integral part of these statements.

Allegiance Capital, LLC  
STATEMENTS OF CHANGES IN MEMBERS' EQUITY  
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$125,190	\$110,839
Members' contributions	41,730	-
Net income	19,883	14,351
Members' distributions	<u>(70,524)</u>	<u>-</u>
Balance, end of year	<u>\$116,279</u>	<u>\$125,190</u>

The accompanying notes are an integral part of these statements.

Allegiance Capital, 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	<u>\$19,883</u>	<u>\$14,351</u>
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Amortization	1,038	1,039
(Increase) decrease in accounts receivable	38,342	(36,774)
Decrease in prepaid expenses	-	373
Increase (decrease) in accounts payable	(2,697)	4,196
(Increase) decrease in due from affiliates	(8,543)	3,067
Increase (decrease) in due to affiliate	<u>(4,216)</u>	<u>4,216</u>
Total adjustments	<u>23,924</u>	<u>(23,883)</u>
Net cash provided (used) by operating activities	43,807	(9,532)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Members' distributions (net)	<u>(28,794)</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH</b>		
Cash, beginning	15,013	(9,532)
	<u>58,634</u>	<u>68,166</u>
Cash, ending	<u>\$73,647</u>	<u>\$58,634</u>
<b>SUPPLEMENTAL DISCLOSURE REGARDING CASH FLOWS</b>		
Interest paid	\$ 23	\$ 331

The accompanying notes are an integral part of these statements.

Allegiance Capital, LLC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a broker-dealer registered with the Security and Exchange Commission (SEC) and the National Association of Security Dealers (NASD). The Company is a limited liability company organized in Maine.

Accounts Receivable

Bad debts are charged to operations in the year in which the account is determined uncollectible. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on the financial statements.

Depreciation and Amortization

Property and equipment are stated at cost. Additions, renewals and betterments, unless of relatively minor amounts, are capitalized.

Depreciation is computed by using the method used for income tax purposes, which is an accelerated method over a statutory recovery period of seven years. If the straight-line basis using estimated useful lives were used, it would not have a material effect on the financial statements. Depreciation expense for the years ended December 31, 2004 and 2003 was \$-0-.

When property and equipment is sold or retired, the related cost and any accumulated depreciation is removed from the accounts and any gain or loss is included in operations.

Start-up costs are stated at cost. Amortization is computed on a straight-line basis over 60 months. Amortization expense for the years ended December 31, 2004 and 2003 was \$1,038 and \$1,039, respectively.

Income Taxes

The Company is treated as a partnership for income tax purposes. Under subchapter K of the Internal Revenue Code, each member is taxed separately on their distributive share of the Partnership's income whether or not that income is actually distributed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts during the reporting period and at the date of the financial statements. Actual results could differ from those estimates.

Allegiance Capital, LLC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004 and 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days and is not held for sale in the ordinary course of business.

Commissions

Commissions and related clearing expenses are recorded on a settlement-date basis as securities transactions occur.

Advertising Costs

Advertising costs are charged to operations when incurred.

NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1).

RELATED PARTY TRANSACTIONS

The Allegiance Financial Group, Inc., AFX Global Advisors, Inc., and Marlin Enterprises, LLC are related parties to the Company due to common ownership.

During the years ended December 31, 2004 and 2003, the Company paid to Allegiance Financial Group, Inc. a management fee of \$41,666 and \$77,691, respectively.

The Company and Allegiance Financial Group, Inc. share office space, computer equipment, furniture and other related expenses. Allegiance Financial Group, Inc. pays for all of the expenses and is then reimbursed by the Company for its proportionate share of those expenses. The total expenses reimbursed to Allegiance Financial Group, Inc. during the years ended December 31, 2004 and 2003 were \$29,195 and \$25,371, respectively.

At December 31, 2004 and 2003, the Company was owed \$34,614 and \$28,268, respectively, from AFX Global Advisors, Inc. and \$1,560 and \$2,375, respectively, from Marlin Enterprises, LLC. At December 31, 2004, the Company was owed \$3,012 from Allegiance Financial Group, Inc. and at December 31, 2003, the Company owed \$4,216 to Allegiance Financial Group, Inc.

Allegiance Capital, LLC  
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 December 31, 2004

NET CAPITAL

Total members' equity from statement of financial condition	\$116,279
Deduct ownership equity not allowable for net capital	<u>-</u>

Total members' equity qualified for net capital	116,279
---	---------

Add:

Liabilities subordinated to claims of general creditors allowable in computation of net capital	-
Other (deductions) or allowable credits	<u>-</u>

Total members' equity and subordinated liabilities	116,279
--	---------

Deductions and/or charges:

Nonallowable assets	
Accounts receivable	39,186
Prepaid expenses	1,998
Furniture (net of accumulated depreciation)	-
Start-up costs (net of accumulated amortization)	1,471
Secured demand note deficiency	-
Commodity futures contracts and spot commodities - proprietary capital charges	-
Other deductions and/or charges	<u>(42,655)</u>

Net capital before haircuts on securities positions	73,624
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Haircuts on securities (computed, where applicable,  
pursuant to 15c3-1(f)):

Contractual securities commitments	-
Subordinated securities borrowings	-
Trading and investment securities:	
Exempted securities	-
Debt securities	-
Options	-
Other securities	-
Undue concentration	<u>-</u>

Net Capital	\$ <u>73,624</u>
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Aggregate Indebtedness

Total aggregate indebtedness liabilities from statement of financial condition	\$ -
---	------

Add:

Drafts for immediate credit	-
Market value of securities borrowed for which no equivalent value is paid or credited	-
Other unrecorded amounts	<u>-</u>

Total aggregate indebtedness	\$ <u>-</u>
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Percentage of aggregate indebtedness to net capital	0%
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Allegiance Capital, LLC  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION (CONT.)  
December 31, 2004

Computation of Basic Net Capital Requirement

Minimum net capital required (6-2/3% of total aggregate indebtedness)	\$ <u>          -</u>
Minimum net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with rule 15c3-1	<u>50,000</u>
Net capital requirement (greater of above minimums)	50,000
Excess net capital (net capital less total aggregate indebtedness)	<u>23,624</u>
Net capital	<u>\$ 73,624</u>