



05038447

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

BR 3/16

OMB APPROVAL
OMB Number: 3235-0123
Expires: January 31, 2007
Estimated average burden
hours per response... 12.00

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

SEC FILE NUMBER
8- 50986

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: Thomas Capital Group, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

3304 Rosedale St. NW

(No. and Street)

Gig Harbor

WA

98335

(City)

(State)

(Zip Code)

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

Sajan K. Thomas

(253) 853-7852

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Moss Adams, LLP

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

1001 Fourth Avenue, Suite 2900

Seattle

WA

98154-1199

(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
THOMSON FINANCIAL
SEC MAIL RECEIVED
MAR 01 2005
WASH. SEC. DIVISION

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.

50
3/22

P.S.
3/17

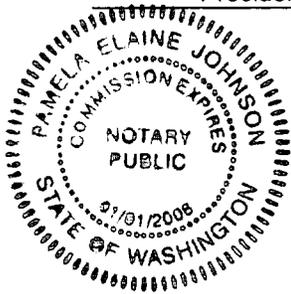
OATH OR AFFIRMATION

I, Sajan K. Thomas, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Thomas Capital Group, LLC, as of December 31st, 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:

Sajan K. Thomas
Signature

President and CEO
Title

Pamela Elaine Johnson
Notary Public



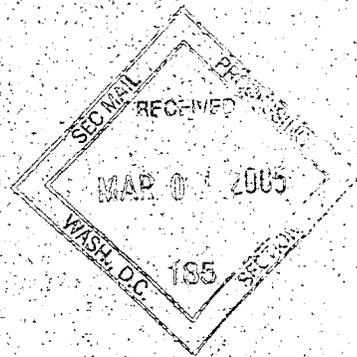
This report ** contains (check all applicable boxes):

- (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).

THOMAS CAPITAL GROUP, LLC
INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS

DECEMBER 31, 2004



CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of financial condition	2
Statement of income	3
Statement of changes in members' equity	4
Statement of cash flows	5
Notes to financial statements	6-9
SUPPLEMENTAL INFORMATION	
Schedule I – Computation of net capital pursuant to Rule 15c3-1	10
Schedule II – Computation for determination of reserve requirements pursuant to Rule 15c3-3	11
Schedule III – Information relating to possession or control requirements under Rule 15c3-3	12
INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL	13-14

INDEPENDENT AUDITOR'S REPORT

To the Members
Thomas Capital Group, LLC

We have audited the accompanying statement of financial condition of Thomas Capital Group, LLC as of December 31, 2004, and the related statements of income, members' 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 audits.

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 Thomas Capital Group, LLC as of December 31, 2004, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in Schedules I, II, and III is information required by Rule 17a-5 of the Securities and Exchange Commission and is presented for purposes of additional analysis, but is not a required part of the basic financial statements. 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.

MOSS ADAMS LLP

Seattle, Washington
February 7, 2005

THOMAS CAPITAL GROUP, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2004

ASSETS

Cash	\$ 115,700
Accounts receivable	533,385
Prepaid expenses and deposits	7,802
Furniture and equipment, net of accumulated depreciation of \$50,722	30,411
Marketable securities, at market value	10,200
Securities not readily marketable, at estimated fair value	45,224
	<u> </u>
	<u>\$ 742,722</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Accounts payable	\$ 5,076
Accrued payroll taxes	84,439
	<u> </u>
	<u>89,515</u>

COMMITMENTS (Notes 2 and 5)

MEMBERS' EQUITY

Contributed capital	164,419
Note receivable for contributed capital	(87,491)
Retained earnings	576,279
	<u> </u>
	<u>653,207</u>
	<u> </u>
	<u>\$ 742,722</u>

THOMAS CAPITAL GROUP, LLC
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2004

REVENUE

Fees	\$ 1,292,930
Interest	21,518
Unrealized gain on marketable securities	750
	<u>1,315,198</u>

GENERAL AND ADMINISTRATIVE EXPENSES

Salaries and payroll taxes	1,143,469
Travel and entertainment	125,186
Professional fees	119,627
Office expenses	97,550
Rent	66,533
Insurance	39,573
Advertising	25,354
Telephone	22,161
Website	19,237
Professional development	16,581
Depreciation	16,203
Taxes and licenses	9,689
Other	3,974
Bad debt expense	2,308
	<u>1,707,445</u>

Less: expense reimbursements 6,778

Net expenses 1,700,667

NET LOSS \$ (385,469)

THOMAS CAPITAL GROUP, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2004

	<u>Contributed Capital</u>	<u>Subscriptions Receivable</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCE, December 31, 2003	\$ 34,419	\$ -	\$ 961,748	\$ 996,167
Capital subscriptions issued	130,000	(130,000)	-	-
Interest accrued on capital subscriptions	-	(4,603)	-	(4,603)
Capital subscriptions forgiven	-	47,112	-	47,112
Net loss for the year	<u>-</u>	<u>-</u>	<u>(385,469)</u>	<u>(385,469)</u>
BALANCE, December 31, 2004	<u>\$ 164,419</u>	<u>\$ (87,491)</u>	<u>\$ 576,279</u>	<u>\$ 653,207</u>

See accompanying notes.

THOMAS CAPITAL GROUP, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (385,469)
Adjustments to reconcile net loss to net cash from operating activities	
Unrealized gain on marketable securities	(750)
Net expense from capital subscriptions	42,509
Bad debt expense	2,308
Depreciation	16,203
Changes in assets and liabilities	
Accounts receivable	(392,378)
Note receivable	798,464
Prepaid expenses and deposits	(6,055)
Accounts payable	5,063
Accrued payroll taxes	84,333
Net cash flows from operating activities	<u>164,228</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment	(10,224)
Investment in security not readily marketable	<u>(43,724)</u>
Net cash flows from investing activities	<u>(53,948)</u>

NET CHANGE IN CASH 110,280

CASH, beginning of year 5,420

CASH, end of year \$ 115,700

Note 1 - Description of Operations and Summary of Significant Accounting Policies

Operations - Thomas Capital Group LLC, (the "Company"), a Washington Limited Liability Company, is a private equity boutique focused on creating alternative investment products, and providing financial consulting services to large institutional investors and high net worth individuals. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD) and the Securities Investors Protection Corporation (SIPC). The Company's primary source of revenue is from contractual retainer and placement fees.

Revenue Recognition - Generally, retainer fees for contracted services are due on a monthly basis during the term of the agreement. First payment is due upon execution of the contract and is immediately recognized as revenue, subsequent payments are recognized when due. In some cases, a portion of the retainer fee may be credited against the placement fee received by the Company. A success fee is typically based on an agreed percentage of aggregated capital commitments made by investors or interests sold to investors at closing and is recognized when earned. Reimbursable costs are recorded as incurred.

Accounts Receivable - The Company carries its accounts receivable at cost. The Company evaluates its accounts receivable on an ongoing basis and writes off any accounts deemed uncollectible. The Company does not accrue interest on past due accounts nor does it maintain an allowance for doubtful accounts.

Bad Debts Recognition - Uncollectible accounts receivable are charged directly against revenues when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America. Bad debt expense totaled \$2,308 for the year ended December 31, 2004.

Furniture and Equipment - Furniture and equipment are stated at cost. Depreciation is computed on the straight-line basis over two to five years. Depreciation expense totals \$16,203 for the year ended December 31, 2004.

Securities - Equity securities held for investment purposes are carried at fair market value; securities not readily marketable are carried at fair value as determined by management.

Federal Income Tax - The Company has elected to be a limited liability company (LLC) for tax purposes, and its income or loss is included in the personal tax returns of the members.

Practice Development - Costs related to marketing the Company's services are expensed as incurred.

Note 1 - Description of Operations and Summary of Significant Accounting Policies
(Continued)

Use of Estimates - The preparation of the 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.

Note 2 - Securities

NASDAQ Securities - During 2000, the Company purchased shares of common stock and stock warrants of The NASDAQ Stock Market, Inc. for \$33,063. The common stock is valued at the quoted market price of \$10.20 per share at December 31, 2004 and is readily marketable. The strike price on the stock warrants at December 31, 2004 is \$14 per warrant. Management has estimated the value of the stock warrants at \$1 per warrant, the warrants are not readily marketable. Unrealized gain on marketable securities total \$750 at December 31, 2004.

Investment Partnership - The Company holds an investment in a nonpublic investment partnership with restricted marketability. No quoted market exists for this investment. This investment is reported in the statement of financial condition based on management's estimate of fair value.

The Company has a commitment under a subscription agreement to contribute capital to the investment partnership amounting to approximately \$125,000 at December 31, 2004 of which \$43,724 has been paid.

Note 3 - Subscriptions Receivable

The Company has notes receivable due from three members for ownership of the Company. The notes are secured by partnership interests, bear interest at 3.52% and mature January 2011. The balance at December 31, 2004 is \$87,491.

Note 4 - Net Capital

The Company is subject to the SEC Uniform Net Capital Rule (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.

At December 31, 2004, the Company has net capital of \$34,786, which is \$28,931 in excess of its required net capital. The Company's net capital ratio at December 31, 2004, is 2.6 to 1.

Note 4 - Net Capital (Continued)

Because the Company does not trade or carry securities accounts for customers or perform custodial functions relating to customer securities, it is not subject to certain other regulatory requirements of the SEC.

Note 5 - Commitments

Lease - The Company leases office space and certain equipment. Rent expense for 2004 totals \$66,533. Future minimum rental payments under noncancelable operating leases with an initial term of at least one year as of December 31 are:

2005	\$ 76,200
2006	60,500
2007	59,500
2008	60,600
2009	40,900
Thereafter	<u>50,900</u>
	<u>\$ 348,600</u>

Investment Partnership - The Company has a commitment under a subscription agreement to contribute capital to an investment partnership amounting to \$100,000 at December 31, 2004 of which there have been no payments.

Note 6 - Major Customers

At December 31, 2004, two customers account for approximately 69% of the Company's total revenues. One of the two customers owes the Company approximately \$473,000 or 89% of accounts receivable.

Note 7 - Guaranteed Payments

The Company's Amended and Restated Limited Liability Company Operating Agreement stipulates that, at the discretion of the president, members may receive guaranteed payments. These payments are not based on net partnership income or taxable net partnership income, but rather on the value of the services the member renders to the partnership each year.

Note 7 - Guaranteed Payments (Continued)

The guaranteed payments are recorded as expenses to the Company, but the related employment taxes on these amounts are paid by the members at the individual income tax level.

Guaranteed payments to members are included in salary and payroll taxes expense on the accompanying statements of operations and total \$871,011 for the year ended December 31, 2004.

Note 8 - Report on Internal Control

In accordance with certain rules of the Securities and Exchange Commission, a report on the Company's internal accounting control was furnished to the Commission. A copy of the report is available for examination at the Company's office or at a regional office of the Securities and Exchange Commission.

SUPPLEMENTAL INFORMATION

THOMAS CAPITAL GROUP, LLC
SCHEDULE I
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1
DECEMBER 31, 2004

COMPUTATION OF NET CAPITAL

Members' equity	\$ 653,207
Deductions	
Haircut on money market account	69
Accounts receivable	533,385
Prepaid expenses and deposits	7,802
Securities not readily marketable, at estimated fair value	45,224
Furniture and equipment, net	30,411
Haircut on marketable securities	1,530
Net capital	<u>34,786</u>
Minimum net capital required	<u>5,855</u>
Excess net capital	<u>\$ 28,931</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities and aggregate indebtedness	<u>\$ 89,515</u>
--	------------------

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital requirement	\$ 5,855
Percentage of aggregate indebtedness to net capital	257.33%

The computation of net capital pursuant to Rule 15c3-1 as of December 31, 2004, computed by the Company in its Form X-17A-5, Part IIA, does not differ significantly from the above computation, which is based on audited financial statements.

THOMAS CAPITAL GROUP, LLC
SCHEDULE II
COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS PURSUANT TO RULE 15c3-3
DECEMBER 31, 2004

The Company is exempt from Rule 15c3-3 under Section (k)(2)(i), in that it does not trade or carry customer accounts and does not hold customer funds.

THOMAS CAPITAL GROUP, LLC
SCHEDULE III
INFORMATION RELATING TO POSSESSION OR
CONTROL REQUIREMENTS UNDER RULE 15c3-3
DECEMBER 31, 2004

The Company is exempt from Rule 15c3-3 under Section (k)(2)(i), in that it does not trade or carry customer accounts and does not hold customer funds.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL ACCOUNTING CONTROL**

To the Members
Thomas Capital Group, LLC

In planning and performing our audit of the financial statements of Thomas Capital Group, LLC (the "Company") for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

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 under Section 220.8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not trade or carry security accounts for customers or perform custodial functions relating to customer securities.

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 internal control structure policies 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. Two of the objectives of internal control structure 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 accounting principles generally accepted in the United States of America.

Because of inherent limitations in internal control or 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.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control 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 Commission 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 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 other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used by anyone other than these specified parties.

Moss Adams LLP

Seattle, Washington
February 7, 2005