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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

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**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 January 1, 2004 AND ENDING December 31, 2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Blackbeard Securities, LLC

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

311 California Street, Suite 600

(No. and Street)

San Francisco

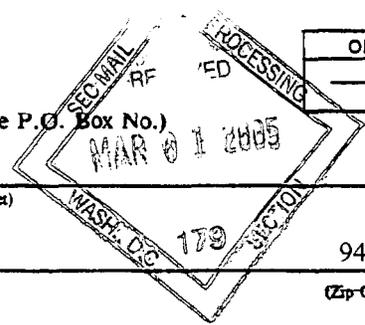
California

94104

(City)

(State)

(Zip Code)



OFFICIAL USE ONLY
FIRM ID. NO.

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

Steve Worthington

(415) 839-4088

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Kevin G. Breard, CPA An Accountancy Corporation

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

9010 Corbin Avenue, Suite 7

Northridge

California

91324

(Address)

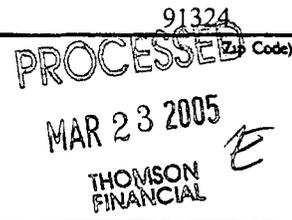
(City)

(State)

(Zip Code)

CHECK ONE:

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



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*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 (3-91)

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OATH OR AFFIRMATION

I, Steve Worthington, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Blackbeard 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:

State of California
County of San Francisco
Subscribed and sworn (or affirmed) to before me this 23 day of February, 2005
April M. Johnson
Notary Public

Steve Worthington
Signature
MANAGER
Title

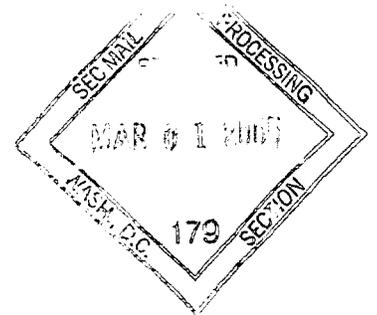


This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in ~~Financial Condition~~ Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor'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.

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

Blackbeard Securities, LLC
Report Pursuant to Rule 17a-5 (d)
Financial Statements
For the Year Ended December 31, 2004



KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Independent Auditor's Report

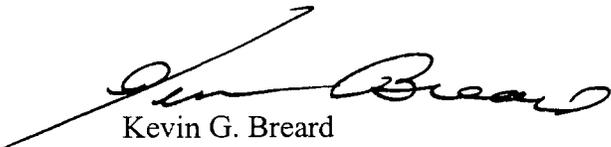
Board of Directors
Blackbeard Securities, LLC

I have audited the accompanying statement of financial condition of Blackbeard Securities, LLC as of December 31, 2004 and the related statements of income, changes in member equity, and cash flows for the year 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. My responsibility is to express an opinion on these statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Blackbeard Securities, 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.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respect in relation to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.



Kevin G. Breard
Certified Public Accountant

Northridge, California
January 21, 2005

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NORTHRIDGE, CALIFORNIA 91324
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Blackbeard Securities, LLC
Statement of Financial Condition
As of December 31, 2004

Assets

Cash and cash equivalents	\$ 123,896
Accounts receivable	12,718
Receivables from brokers and dealers	7,848,993
Marketable securities at market	7,131,933
Investment in clearing organization	50,000
Property and equipment, net of \$13,828 accumulated depreciation	6,947
Deposits	<u>457</u>
Total assets	<u>\$ 15,174,944</u>

Liabilities and Member Equity

Liabilities

Accounts payable and accrued expenses	\$ 69,369
Securities sold, not yet purchased, at market value	<u>7,112,341</u>

Total liabilities 7,181,710

Member equity 7,993,234

Total member equity 7,993,234

Total liabilities and member equity **\$ 15,174,944**

The accompanying notes are an integral part of these financial statements.

Blackbeard Securities, LLC
Statement of Income
For the year ended December, 31, 2004

Revenues

Revenue from trading activities	\$ 987,112
Interest and dividends	65,403
Other income	<u>26,856</u>

Total revenues 1,079,371

Expenses

Employee compensation and benefits	90,085
Professional fees	83,004
Trading fees and floor brokerage	80,924
Communications	39,335
Taxes other than income taxes	41,415
Market data and research	61,925
Occupancy	51,783
Other operating expenses	<u>382,103</u>

Total expenses 830,574

Income (loss) before income taxes 248,797

Income tax provision 800

Net income (loss) 800

\$ 247,997

The accompanying notes are an integral part of these financial statements.

Blackbeard Securities, LLC
Statement of Changes in Member Equity
For the year ended December 31, 2004

	<u>Member Equity</u>
Balance, January 1, 2004	\$ 1,405,237
Capital contributions, net	6,340,000
Net income (loss)	<u>247,997</u>
Balance, December 31, 2004	<u>\$ 7,993,234</u>

The accompanying notes are an integral part of these financial statements.

Blackbeard Securities, LLC
Statement of Cash Flows
For the year ended December 31, 2004

Cash flows from operating activities:

Net income (loss)		\$ 247,997
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	\$ 2,763	
Amortization	2,735	
(Increase) decrease in:		
Accounts receivable	(12,718)	
Receivables from brokers and dealers	(7,753,094)	
Marketable securities, at market	(7,106,432)	
Clearing deposits	1,222	
Investment in clearing organization	50,000	
(Decrease) increase in:		
Accounts payable	38,134	
Income taxes payable	800	
Securities sold, not yet purchased, at market	<u>6,966,447</u>	
Total adjustments		<u>(7,810,143)</u>
Net cash and cash equivalents provided by (used in) operating activities		(7,562,146)

Cash flows from investing activities:

Decrease in deposits	<u>7,413</u>	
Net cash and cash equivalents provided by (used in) investing activities		7,413

Cash flows from financing activities:

Capital contributions, net	<u>6,340,000</u>	
Net cash and cash equivalents provided by (used in) financing activities		<u>6,340,000</u>

Net increase (decrease) in cash and cash equivalents	(1,214,733)
Cash and cash equivalents at beginning of year	<u>1,338,629</u>
Cash and cash equivalents at end of year	<u>\$ 123,896</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Income taxes	\$ 800
Interest	\$ —

The accompanying notes are an integral part of these financial statements.

Blackbeard Securities, LLC
Notes to Financial Statements
December 31, 2004

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Blackbeard Securities, LLC (the "Company") was organized in the State of California on August 20, 1998, as a Limited Liability Company operating as a registered broker-dealer in securities under the Securities and Exchange Act of 1934. The Company conducts business on a fully disclosed basis whereby the execution and clearance of trades are handled by another broker/dealer. The Company does not hold customer funds and/or securities and was a member of the National Association of Securities Dealers, Inc. ("NASD"), until this year. On July 24, 2004, the Company changed its self regulatory organization, and thus, its district enforcement agency from NASD to Pacific Coast Stock Exchange ("PCOAST"). The Company primarily effectuates proprietary trades for one fund, which is its only member.

Summary of Significant Accounting Policies

The presentation 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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Securities transactions are recorded on a trade date basis for both the Company's customers and the Company. Marketable securities owned by the Company are accounted for at market value, with market value based on current published market prices. The resulting difference between cost and market (or fair value) is included in income.

Property and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Property and equipment are depreciated over their estimated useful lives ranging from five (5) to (7) years by the straight-line method.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market accounts as cash equivalents.

Blackbeard Securities, LLC
Notes to Financial Statements
December 31, 2004

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Company, with the consent of its Members, has elected to be a California limited liability company. For tax purposes the Company is treated like a partnership, therefore in lieu of business income taxes, the Members are taxed on the Company's taxable income. Therefore, no provision or liability for federal income taxes is included in these financial statements. The State of California has similar treatment, although there exists a provision for a minimum tax of \$800.

Note 2: SECURITIES OWNED AND SOLD, NOT YET PURCHASED

Marketable securities owned and sold, not yet purchased, consist of trading securities at quoted market values, as follows:

	<u>Owned</u>	<u>Sold Not Yet Purchased</u>
Corporate stocks	<u>\$ 7,131,933</u>	<u>\$ 7,112,341</u>

Note 3: JOINT BACK OFFICE AGREEMENT WITH CLEARING ORGANIZATION

The Company has purchased \$50,000 of floating rate preferred stock in Merrill Lynch Professional Clearing Corporation. The purchase of these shares is pursuant to a Joint Back Office (JBO) agreement under which Merrill Lynch Professional Clearing Corporation agrees to clear transactions for its owners. The shares are fully paid, non assessable and their sale or transfer is restricted by the agreement under which they were purchased. In addition to its ownership interest, the company is required under the terms of the agreement to maintain a minimum liquidating equity of \$1 million in the JBO. This agreement is further supplemented by a mutual understanding that the appropriate level of equity should be \$2 million.

Note 4: PROPERTY AND EQUIPMENT, NET

Property and equipment are recorded at cost.

		<u>Depreciable Life Years</u>
Machinery & equipment	\$ 14,702	7
Computers	<u>6,073</u>	5
Subtotal	20,775	
Less accumulated depreciation	<u>(13,828)</u>	
Property and equipment, net	<u>\$ 6,947</u>	

Depreciation expense for the period ended December 31, 2004 was \$2,763.

Blackbeard Securities, LLC
Notes to Financial Statements
December 31, 2004

Note 5: RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, The Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46, "*Consolidation of Variable Interest Entities*" ("FIN 46"). This interpretation of Accounting Research Bulletin No. 51, requires companies to consolidate the operations of all variable interest entities ("VIE's") for which they are the primary beneficiary. The term "primary beneficiary" is defined as the entity that will absorb a majority of expected losses, receive a majority of the expected residual returns, or both. This interpretation was later revised by the issuance of Interpretation No. 46R ("FIN 46R"). The revision was issued to address certain implementation issues that had arisen since the issuance of the original interpretation and to provide companies with the ability to defer the adoption of FIN 46 to periods after March 15, 2004. The implementation of FIN No. 46 and FIN 46R, had no material impact on the Company's financial statements.

On July 16, 2004, the FASB ratified the Emerging Issues Task Force ("EITF") consensus on Issue 02-14, "*Whether the Equity Method of Accounting Applies When an Investor Does Not Have an Investment in Voting Stock of an Investee but Exercises Significant Influence through Other Means*" ("EITF 02-14"). The consensus concludes that an investor should apply the equity method of accounting when it can exercise significant influence over an entity through a means other than holding voting rights. The consensus is effective for reporting periods beginning after September 15, 2004. The adoption of EITF 02-14 did not have a material impact on the Company's financial statements.

On December 16, 2004, FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "*Share-Based Payment*" ("FASB 123R"), which addresses the accounting for employee stock options. FASB 123R requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the financial statements based on the estimated fair value of the awards. Stock options are a valuable and important tool that have been used by many companies as a means to motivate employees and to promote business growth. The statement requires that the value of these arrangements be measured and recognized in the financial statements. FASB 123R becomes effective for reports filed after June 15, 2005. Early adoption of FASB 123R had no material effect on the Company's financial statements.

Blackbeard Securities, LLC
Notes to Financial Statements
December 31, 2004

Note 6: NET CAPITAL REQUIREMENTS

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both 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. Net capital and aggregate indebtedness change day to day, but on December 31, 2004, the Company's net capital of \$6,006,726 exceeded the minimum net capital requirement by \$5,906,726; and the Company's ratio of aggregate indebtedness (\$62,250) to net capital was 0.01 to 1, which is less than the 15 to 1 maximum ratio required of a broker/dealer.

Blackbeard Securities, LLC
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2004

Computation of net capital

Member equity	<u>\$ 7,993,234</u>	
Total member equity		\$ 7,993,234
Less: Non-allowable assets		
Property and equipment, net	(6,947)	
Investment in clearing organization	(50,000)	
Deposits	(457)	
Receivables from non-customers	<u>(9,267)</u>	
Total non-allowable assets		<u>(66,671)</u>
Net capital before haircuts		7,926,563
Less: Adjustments to net capital		
Haircuts on securities	(1,917,360)	
Haircuts on money market accounts	<u>(2,477)</u>	
Total adjustments to net capital		<u>(1,919,837)</u>
Net capital		6,006,726

Computation of net capital requirements

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 4,150	
Minimum dollar net capital required	<u>100,000</u>	
Net capital required (greater of above)		<u>(100,000)</u>
Excess net capital		<u>\$ 5,906,726</u>

Ratio of aggregate indebtedness to net capital 0.01 : 1

There was no difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2004.

See independent auditor's report.

Blackbeard Securities, LLC
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2004

A computation of reserve requirements is not applicable to Blackbeard Securities, LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Blackbeard Securities, LLC
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of December 31, 2004

Information relating to possession or control requirements is not applicable to Blackbeard Securities, LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Blackbeard Securities, LLC
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2004

KEVIN G. BREARD, C.P.A.
AN ACCOUNTANCY CORPORATION

Board of Directors
Blackbeard Securities, LLC

In planning and performing my audit of the financial statements and supplemental schedules of Blackbeard Securities, LLC for the year ended December 31, 2004, I considered its internal control structure, for the purpose for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures followed by Blackbeard Securities, LLC including tests of such practices and procedures that I considered relevant to objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and 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. Two of the objectives of an 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

NORTHRIDGE OFFICE PLAZA
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NORTHRIDGE, CALIFORNIA 91324
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B r e a r d C P A @ a o l . c o m

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the 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 design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weakness as defined above.

I 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 purpose 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 material inadequacy for such purposes. Based on this understanding on my study, I 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 for any other purpose.



Kevin G. Breard
Certified Public Accountant

Northridge, California
January 21, 2005