

SECUR

MISSION



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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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CONNELL SECURITIES CORPORATION  
LLC

OFFICIAL USE ONLY  
 FIRM ID. NO.

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

ONE CONNELL DRIVE

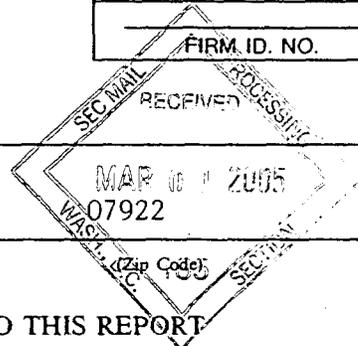
(No. and Street)

BERKELEY HEIGHTS

NEW JERSEY

(City)

(State)



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

DUANE CONNELL

(908) 673-3700

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

ERNST & YOUNG, LLP

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

99 WOOD AVENUE SOUTH

ISELIN

NEW JERSEY

08830

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

PROCESSED  
 APR 04 2005

THOMSON  
 FINANCIAL

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)

Handwritten initials and number: 2-23

OATH

I, David Freidin, swear that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Connell Securities Corporation, as of December 31, 2004, are true and correct. I further swear 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.

  
Signature

Senior Vice President  
Title

Subscribed and sworn  
to before me this

28 day of February 2005

  
Notary Public

NOTARY PUBLIC  
STATE OF NEW YORK  
COMM. EXPIRES 12/31/08

## Report of Independent Auditors

To the Member of Connell Securities LLC

We have audited the accompanying statement of financial condition of Connell Securities LLC as of December 31, 2004, and the related statements of operations, member's equity and cash flows for the year ended December 31, 2004. 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 Connell Securities LLC at December 31, 2004, and the results of its operations and its cash flows for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule titled "Computation of Net Capital under Rule 15c 3-1 of the Securities and Exchanges Commission" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our 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.

*Ernst & Young LLP*

February 1, 2005

**CONNELL SECURITIES LLC**  
**(Formerly Connell Securities Corporation)**  
**Statement of Financial Condition**  
**December 31, 2004**

**ASSETS**

**Current assets:**

**Cash**

**\$ 158,401**

**LIABILITIES AND MEMBER'S EQUITY**

**Current liabilities:**

**Due to member**

**\$ 60,908**

**Accrued expenses**

**9,600**

**Total current liabilities**

**70,508**

**Member's equity**

**87,893**

**\$ 158,401**

**See accompanying notes.**

**CONNELL SECURITIES LLC**  
**(Formerly Connell Securities Corporation)**  
**Statement of Operations**  
**For the Year Ended December 31, 2004**

<b>Fee income</b>	<b>\$ 66,383</b>
<b>Operating expenses</b>	<u><b>285,429</b></u>
<b>Loss before benefit from income taxes</b>	<b>(219,046)</b>
<b>Benefit from income taxes</b>	<u><b>(22,100)</b></u>
<b>Net loss</b>	<u><u><b>\$ (196,946)</b></u></u>

See accompanying notes.

**CONNELL SECURITIES LLC**  
**(Formerly Connell Securities Corporation)**  
**Statement of Cash Flow**  
**For the Year Ended December 31, 2004**

<b>Cash flows from operating activities:</b>	
Net loss	\$ (196,946)
Adjustments to reconcile net loss to net cash used in operating activities:	
Decrease in due from parent	10,100
Increase in due to member	60,908
Decrease in accrued expenses	<u>(1,212)</u>
<b>Net cash used in operating activities</b>	<b>(127,150)</b>
<b>Cash flows from financing activities:</b>	
Capital contributions from member	<u>200,000</u>
<b>Net increase in cash</b>	<b>72,850</b>
<b>Cash, beginning of year</b>	<u><b>85,551</b></u>
<b>Cash, end of year</b>	<u><u><b>\$ 158,401</b></u></u>
 <b>Supplemental disclosure of cash flow information:</b>	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u><u>\$ 2,000</u></u>

See accompanying notes.

**CONNELL SECURITIES LLC**  
 (Formerly Connell Securities Corporation)  
 Statement of Changes in Member's Equity  
 For the Year Ended December 31, 2004

	<u>Member's Equity</u>	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2004	\$ -	\$ 10,000	\$ 74,839	\$ 84,839
Net loss	(148,196)	-	(48,750)	(196,946)
Contribution of net capital of Connell Securities Corporation made to Connell Securities LLC upon merger	36,089	(10,000)	(26,089)	-
Capital Contributions from member	200,000	-	-	200,000
Balance, December 31, 2004	<u>\$ 87,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,893</u>

See accompanying notes.

**CONNELL SECURITIES LLC**  
**(Formerly Connell Securities Corporation)**

**Notes to Financial Statements**

**December 31, 2004**

**Note 1 – Significant Accounting Policies**

**The Company**

Connell Securities LLC (the “LLC”) was organized as a limited liability company in April 2004 as the successor to Connell Securities Corporation (the “Corporation”). The net assets of \$36,089 of the Corporation were merged into the LLC upon its formation in April 2004. The LLC and the Corporation (hereinafter both referred to as “The Company”) advise and obtain financing for customers who participate in leveraged lease transactions. The Company is a registered broker/dealer with the Securities and Exchange Commission (“SEC”) and the New Jersey Bureau of Securities (“NJBS”) and is a member of the National Association of Securities Dealers, Inc.

**Basis of Presentation**

The financial statements include the accounts and activity of the Corporation through the date of its merger into the LLC and the accounts of the LLC from inception (April 22, 2004) to December 31, 2004. The Company maintains its books and records on the accrual basis. Fee revenue is recognized at the time the financing transaction is completed and the income is determinable.

**Note 2 – Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 3 – Related Party Transactions**

For the year ended December 31, 2004 the Company received a fee of \$66,383 for obtaining financing for a partnership in which the majority partner is an affiliated corporation, which is also the LLC’s sole member. The Company does not have any employees. The member provides these services and bills the Company for the related employee cost based on the hours worked. In addition the member pays certain of the Company’s operating expenses and is then reimbursed by the Company. Both of these costs are charged to the Company in accordance with guidance on the recording of expenses and liabilities of broker/dealers issued by the SEC. The total of these employee costs and operating expenses amounted to \$257,986 for the year ended December 31, 2004.

**CONNELL SECURITIES LLC  
(Formerly Connell Securities Corporation)**

**Notes to Financial Statements**

**December 31, 2004**

**Note 4 – Income Taxes**

The Provision for income taxes include a \$2,000 state income tax liability and a federal tax benefit for the Corporation prior to its merger. The earnings and losses of the LLC are included in the member's income tax returns and are taxed based on the member's effective tax rate. Accordingly the Company's financial statements do not include a provision for income taxes after the formation of the LLC.

**Note 5 – Net Capital Requirements**

As a registered broker/dealer, the Company is subject to SEC Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of \$5,000 or 6.67% of aggregate indebtedness. In addition, NJBS requires that the Company maintain net capital of \$10,000.

At December 31, 2004 the Company's net capital of \$87,893 exceeded the SEC and NJBS required net capital by \$82,893 and \$77,893, respectively.

**SUPPLEMENTARY INFORMATION**

**CONNELL SECURITIES LLC**  
**(Formerly Connell Securities Corporation)**  
**Computation of Net Capital Under Rule 15 c 3-1**  
**of the Securities and Exchange Commission**  
**As of December 31, 2004**

**NET CAPITAL:**

<b>Total Member's equity</b>	<u>\$ 87,893</u>
<b>Total capital</b>	87,893
<b>Deduction:</b>	
<b>Nonallowable assets</b>	<u>-</u>
<b>Net capital</b>	<u><u>\$ 87,893</u></u>
<b>AGGREGATE INDEBTEDNESS (A. I.)</b>	<u><u>\$ -</u></u>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:**

<b>Minimum net capital required (6.67% of total A.I.)</b>	<u>\$ -</u>
<b>Minimum dollar net capital requirement of broker/dealer</b>	<u>\$ 5,000</u>
<b>Net capital requirement (greater of 1 or 2)</b>	<u><u>\$ 5,000</u></u>
<b>Excess net capital</b>	<u><u>\$ 82,893</u></u>
<b>AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>	<u><u>-</u></u>

There are no material differences between the audited computation above and the computation of Net Capital included in the unaudited FOCUS filing.