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

SEC FILE NUMBER
 8. 66069

**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 01/01/2004 AND ENDING 12/31/2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: DRF Business and Financial Services, LLC

OFFICIAL USE ONLY
 FIRM I.D. NO.

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

60 Revere Drive, Suite 725

Northbrook IL 60062
(City) (State) (Zip Code)

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

Taneaia Brown (312)421-5050 (Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

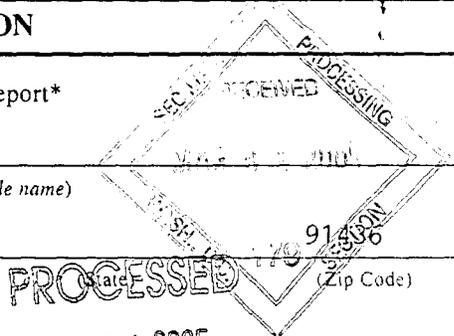
INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rose, Snyder & Jacobs

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

15821 Ventura Blvd., Suite 490, Encino, CA

(Address) (City) (Zip Code)



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)

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*TKH
3/25*

OATH OR AFFIRMATION

I, Sheldon Drdony, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DRF Business and Financial Services, 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:

Sheldon Drdony
Signature
President
Title



Patricia Metzger
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).



INDEPENDENT AUDITORS' REPORT

To the Members
DRF Business and Financial Service, LLC

In planning and performing our audit of the financial statements and supplemental schedule of DRF Business and Financial Service, LLC (an Illinois limited liability 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.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness 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 securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- Making quarterly securities examinations, counts, verifications and comparisons;
- Recordation of differences required by rule 17a-13;
- 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 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 controls 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 SEC's above-mentioned objectives. Two of the objectives of internal control 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 accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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 operations may deteriorate.

Our consideration of 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 SEC 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 SEC's objectives.

This report is intended solely for the information and use of management, the SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Rose, Snyder & Jacobs
A Corporation of Certified Public Accountants

Encino, California

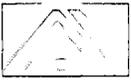
February 18, 2005

DRF BUSINESS AND FINANCIAL
SERVICES, LLC
(AN ILLINOIS LIMITED LIABILITY COMPANY)
FINANCIAL STATEMENTS
DECEMBER 31, 2004

DRF BUSINESS AND FINANCIAL SERVICES, LLC
(AN ILLINOIS LIMITED LIABILITY COMPANY)

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INDEPENDENT AUDITORS' REPORT

To the Members
DRF Business and Financial Services, LLC

We have audited the accompanying statement of financial condition of DRF Business and Financial Services, LLC (an Illinois limited liability company) as of December 31, 2004, and the related statements of operations, 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 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 DRF Business and Financial Services, 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedule is presented for the purpose 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 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.

Rose, Snyder & Jacobs
A Corporation of Certified Public Accountants

Encino, California

February 18, 2005

DRF BUSINESS AND FINANCIAL SERVICES, LLC
(AN ILLINOIS LIMITED LIABILITY COMPANY)
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS

| | | |
|------------------------|----|--------------|
| Cash | \$ | 334 |
| Money market | | 5,026 |
| Due from related party | | <u>7,500</u> |

TOTAL ASSETS

\$ 12,860

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

\$ -

MEMBERS' EQUITY

12,860

TOTAL LIABILITIES AND
MEMBERS' EQUITY

\$ 12,860

See independent auditors' report and
notes to financial statements.

DRF BUSINESS AND FINANCIAL SERVICES, LLC
(AN ILLINOIS LIMITED LIABILITY COMPANY)
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004

| | |
|--------------------------------------|------------------|
| REVENUE | |
| Interest income | \$ <u>24</u> |
| | |
| TOTAL REVENUE | <u>24</u> |
| | |
| EXPENSES | |
| Professional fees | 6,222 |
| Dues and subscriptions | 990 |
| Licenses and permit | 650 |
| Insurance | 575 |
| Other operating expenses | <u>126</u> |
| | |
| TOTAL OPERATING EXPENSES | <u>8,563</u> |
| | |
| NET LOSS | (8,539) |
| | |
| MEMBERS' EQUITY AT BEGINNING OF YEAR | <u>21,399</u> |
| | |
| MEMBERS' EQUITY AT END OF YEAR | <u>\$ 12,860</u> |

See independent auditors' report and
notes to financial statements.

DRF BUSINESS AND FINANCIAL SERVICES, LLC
(AN ILLINOIS LIMITED LIABILITY COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

| | |
|--|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net loss | \$ (8,539) |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(8,539)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Advance to related party | <u>(7,500)</u> |
| NET CASH USED IN FINANCING ACTIVITIES | <u>(7,500)</u> |
| NET DECREASE IN CASH | (16,039) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>21,399</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 5,360</u> |

See independent auditors' report and
notes to financial statements.

DRF BUSINESS AND FINANCIAL SERVICES, LLC
(AN ILLINOIS LIMITED LIABILITY COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

DRF Business and Financial Service, LLC (the "Company") is organized as an Illinois Limited Liability Company. The Company is a licensed NASD broker/dealer that has not yet started doing business. The Company does no underwriting, carries no customer accounts and has no inventory of marketable securities.

The Company has only one class of members with all rights and privileges of voting, contribution and distribution. Members have limited liability, to the extent of their agreed capital contributions.

Income Taxes

The Company is organized as an Illinois limited liability company. The Company is not liable for federal income tax, but is liable for an annual fee based upon gross revenue. The members are personally liable for income taxes on their respective shares of the Company's income.

Cash Flows

For the purposes of the statement of cash flows, the Company considers cash equivalents to include cash and short-term money market mutual funds.

Estimates

Generally accepted accounting principles require that the financial statements include estimates by management in the valuation of certain assets and liabilities. Management uses its historical records and knowledge of its business in making these estimates. Actual results could differ from those estimates applied in the preparation of the financial statements

2. NET CAPITAL

Pursuant to Rule 15c3-1 of the Securities and Exchange Commission, the Company was required to maintain a net capital of not less than \$5,000 at December 31, 2004. The net capital of the Company at December 31, 2004 amounted to \$5,461.

3. RELATED PARTY TRANSACTION

During the year ended December 31, 2004, the Company advanced \$7,500 to Paradigm Group II, LLC, a company owned by the same members of DRF Business and Financial Services, LLC.

See independent auditors' report.

SUPPLEMENTARY SCHEDULE

DRF BUSINESS AND FINANCIAL SERVICES, LLC
 (AN ILLINOIS LIMITED LIABILITY COMPANY)
 SCHEDULE OF COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
 OF THE SECURITIES AND EXCHANGE COMMISSION
 DECEMBER 31, 2004

| | |
|--|-----------------|
| NET CAPITAL | |
| Total members' equity | \$ 12,860 |
| Deduct stockholders' equity not allowable for net capital | - |
| | <hr/> |
| Total stockholders' equity qualified for net capital | 12,860 |
| Add: | |
| Subordinated borrowings allowable in computation of net capital | - |
| Other (deductions) or allowable credits-deferred income tax payable | - |
| | <hr/> |
| Total capital and allowable subordinated borrowings | 12,860 |
| Deductions and/or charges: | |
| Nonallowable assets: | |
| Securities not readily marketable | - |
| Exchange memberships | - |
| Furniture, equipment, and leasehold improvements, net | - |
| Other assets | 7,500 |
| | <hr/> |
| | 7,500 |
| Additional charges for customers' and noncustomers' security accounts | - |
| Additional charges for customers' and noncustomers' commodity accounts | - |
| Aged fails-to-deliver | - |
| Aged short security differences | - |
| Secured demand note deficiency | - |
| Commodity futures contracts and spot commodities/proprietary capital charges | - |
| Other deductions and/or charges | - |
| | <hr/> |
| Net capital before haircuts on securities positions (tentative net capital) | 5,360 |
| Haircuts on securities | |
| Contractual securities commitments | - |
| Securities collateralizing secured demand notes | - |
| Trading and investment securities | - |
| Bankers' acceptances, certificates of deposit, and commercial paper | - |
| U.S. and Canadian government obligations | - |
| State and municipal government obligations | - |
| Corporate obligations | - |
| Stocks and warrants | - |
| Options | - |
| Other securities | 101 |
| Undue concentrations | - |
| | <hr/> |
| Net Capital | <u>\$ 5,259</u> |

See independent auditors' report and notes to financial statements.

DRF BUSINESS AND FINANCIAL SERVICES, LLC
 (AN ILLINOIS LIMITED LIABILITY COMPANY)
 SCHEDULE OF COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
 OF THE SECURITIES AND EXCHANGE COMMISSION (CONTINUED)
 DECEMBER 31, 2004

| | | |
|---|----|--------------|
| Aggregate indebtedness | \$ | - |
| Items included in statement of financial condition: | | |
| Short-term bank loans (secured by customer's securities) | | - |
| Drafts payable | | - |
| Payable to brokers and dealers | | - |
| Payable to clearing broker | | - |
| Payable to customers | | - |
| Other accounts payable and accrued expenses | | - |
| Items not included in statement of financial condition: | | |
| Market value of securities borrowed for which no equivalent value is paid or credited | | - |
| Other unrecorded amounts | | - |
| Total aggregate indebtedness | \$ | <u>-</u> |
| | | |
| Computation of basic net capital requirement | | |
| Minimum net capital required: | | |
| Company | | 5,000 |
| Broker-dealer subsidiary | | - |
| Total | \$ | <u>5,000</u> |
| | | |
| Excess net capital at 1,500 percent | \$ | <u>259</u> |
| Excess net capital at 1,000 percent | \$ | <u>5,259</u> |
| Ratio: Aggregate indebtedness to net capital | | <u>-</u> |

Reconciliation with Company's computation:

A reconciliation is not included as there was no material difference from the Company's computation.

See independent auditors' report and notes to financial statements.