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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8-65435

**FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 There under**

REPORT FOR THE PERIOD BEGINNING 1/1/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Execution LLC**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

**102 Greenwich Avenue**  
(No. and Street)

**Greenwich,**  
(City)

**CT**  
(State)

**06830**  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**F. Jason Winn** **(203) 622-8713**  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
**Ernst & Young LLP** **Ernst & Young LLP**

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

**5 Times Square**  
**5 Times Square**  
(Address)

**New York**  
**New York**  
(City)

**NY**  
**NY**  
(State)

**10036**  
**10036**  
(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  
WASHINGTON, D.C. 20549  
SECTION 179

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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).

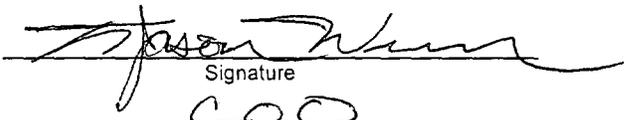
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Handwritten initials/signature

OATH OR AFFIRMATION

I, F. Jason Winn, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Execution 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:

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

  
Signature  
COO  
Title

  
Notary Public

MICHELLE BARR  
Notary Public, State of New York  
No. 01BA5042457  
Qualified in Westchester County  
Commission Expires July 25, 2005

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of 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.
- (o) Independent auditor's report on internal control.
- (p) Schedule of segregation requirements and funds in segregation – customers' regulated commodity futures account pursuant to Rule 171-5.

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

Execution LLC  
(A wholly-owned subsidiary of Execution Holdings LLC)

Statement of Financial Condition

December 31, 2004

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## Report of Independent Registered Public Accounting Firm

To the Member of  
Execution LLC (A wholly-owned subsidiary of Execution Holdings LLC)

We have audited the accompanying statement of financial condition of Execution LLC (the "Company") as of December 31, 2004. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition 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 statement of financial condition is 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall presentation of the statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of the Company at December 31, 2004, in conformity with accounting principles generally accepted in the United States.

*Ernst + Young LLP*

February 25, 2005

Execution LLC  
(A wholly-owned subsidiary of Execution Holdings LLC)

Statement of Financial Condition

December 31, 2004

<b>Assets</b>	
Cash	\$ 129,265
Receivables from brokers and dealers	506,335
Deposit at clearing broker	100,000
Receivable from affiliate	27,821
Receivable from employees	53,805
Prepaid expenses	29,959
Furniture, fixtures and equipment, at cost, net of accumulated depreciation of \$151,797	339,009
Leasehold improvements, at cost, net of accumulated depreciation of \$103,894	180,274
Other assets	121,123
Total assets	<u>\$ 1,487,591</u>
<b>Liabilities and member's equity</b>	
Liabilities:	
Payables to brokers and dealers	\$ 9,888
Accounts payable	75,835
Accrued expense	109,080
Other liabilities	11,668
Total liabilities	<u>206,471</u>
Member's equity	
Member's equity	853,472
Retained earnings	427,648
Total member's equity	<u>1,281,120</u>
Total liabilities and member's equity	<u>\$ 1,487,591</u>

*See notes to this Statement of Financial Condition.*

Execution LLC  
(A wholly-owned subsidiary of Execution Holdings LLC)

Notes to Statement of Financial Condition

December 31, 2004

**1. Organization**

Execution LLC (the "Company") is a wholly-owned subsidiary of Execution Holdings LLC ("the Parent"), itself wholly-owned by Execution Limited ("Limited"), a broker-dealer in London, England. The Company is a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Securities Dealers, Inc. (the "NASD"). The Company, incorporated on June 11, 2002 under the laws of the State of Connecticut, conducts business from its office in Greenwich, Connecticut. The Company commenced general operations on June 11, 2002 and commenced operations as a registered broker-dealer upon the approval of its membership application by the NASD on December 18, 2002.

The Company acts as an introducing broker and is engaged in brokerage related activities, acting as agent for foreign and United States institutional customers in the purchase and sale of United States equities. These trades are settled on a delivery versus payment basis. Securities transactions for the Company's customers are cleared through and carried by Pershing Securities LLC (the "Clearing Broker") on a fully disclosed basis.

**2. Summary of Significant Accounting Policies**

The preparation of the Statement of Financial Condition in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts in the Statement of Financial Condition and accompanying notes. Management believes that the estimates utilized in preparing its Statement of Financial Condition are reasonable and prudent. Actual results could differ from these estimates.

**Cash and Cash Equivalents**

The Company considers all cash and highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash consists of deposits held in a single bank account in the name of the Company.

**Receivables from and Deposits at Brokers and Dealers**

Receivables from brokers and dealers represents funds held at the Clearing Broker in various accounts and primarily represent earned commissions which are generally remitted to the

Execution LLC  
(A wholly-owned subsidiary of Execution Holdings LLC)

Notes to Statement of Financial Condition (continued)

**2. Summary of Significant Accounting Policies (continued)**

Company within thirty days of being earned. Additionally, a segregated clearance deposit of \$100,000 is maintained at the Clearing Broker.

**Income Taxes**

Pursuant to U.S. tax rules, the Company, as a single-member limited liability company, has elected to be treated as a disregarded entity for U.S federal income tax purposes. The Parent made the election as a domestic eligible entity to be classified as an association which is taxable as a corporation for U.S. federal income tax purposes during 2004. Therefore, the Parent will file a U.S. Income Tax return as a separate entity for the period ending December 31, 2004, and allocates any resulting provision or benefit to the Company.

**Depreciation and Amortization**

Depreciation is provided for furniture and equipment on a straight-line basis over the estimated useful lives of the assets of five years. Leasehold improvements are amortized on a straight-line basis over the life of the underlying lease of three years.

**3. Transactions with Customers**

The Company applies the provisions of the Financial Accounting Standard Board's Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45") which provides accounting and disclosure requirements for certain guarantees. The Company has agreed to indemnify the Clearing Broker for losses that it may sustain from the customer accounts introduced by the Company. The Clearing Broker has not extended credit to such introduced customer accounts, and therefore, at December 31, 2004, there were no amounts to be indemnified to the Clearing Broker for these customer accounts.

**4. Related Party Transactions**

The Company executes trades on behalf of Limited and collects commissions on these trades at a prescribed rate.

Execution LLC  
(A wholly-owned subsidiary of Execution Holdings LLC)

Notes to Statement of Financial Condition (continued)

**4. Related Party Transactions (continued)**

The Company has entered into an agreement with Limited. In connection with the agreement, the Company received reimbursement for certain operating costs as defined in this agreement plus 6% from Limited. Reimbursement is provided for compensation and benefits, occupancy and equipment, professional fees and other expenses allocable to such activities provided for Limited. The Receivable from affiliate balance on the Statement of Financial Condition of \$27,821 is recorded net after offsetting \$44,334 due to Limited for expenses paid on the Company's behalf.

The Company executed a Loan Agreement with an employee effective September 11, 2003. The stated principal loan amount is \$75,000, with a stated interest rate of 2%. The balance of this loan is \$52,500 at December 31, 2004. This loan is included in Receivable from employees in the Statement of Financial Condition.

**5. Net Capital Requirements**

As a broker-dealer and member organization of the NASD, the Company is subject to the Uniform Net Capital Rule 15c3-1 (the "Rule") of the SEC which requires the maintenance of \$100,000 minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Advances to affiliates, repayment of subordinated borrowings, dividend payments, and other equity withdrawals are subject to certain notification and other provisions of the SEC Uniform Net Capital Rule or other regulatory bodies.

At December 31, 2004, the Company had net capital of \$529,129 which was \$429,129 in excess of the amount required to be maintained at that date. The Company's ratio of aggregate indebtedness to net capital was 0.39 to 1.

Execution LLC  
(A wholly-owned subsidiary of Execution Holdings LLC)

Notes to Statement of Financial Condition (continued)

**5. Net Capital Requirements (continued)**

Under the clearing arrangement with the Clearing Broker, the Company is required to maintain certain minimum levels of net capital and comply with other financial ratio requirements. At December 31, 2004, the Company was in compliance with all such requirements.

**6. Commitments and Contingencies**

The Company entered into a lease agreement for office space effective March 1, 2003. The lease expires on March 31, 2006 with two options enabling the Company to renew for periods of two and five years respectively. At December 31, 2004, the approximate future minimum base rental payments under this lease are as follows:

Year ending December 31	
2005	\$ 97,560
2006	<u>24,390</u>
Total	<u>\$ 121,950</u>

The above amounts are future minimum base rental payments. The lease agreement additionally includes escalation provisions.

The Company entered into a Fully Disclosed Clearing Agreement on June 26, 2003 with Pershing LLC to act as clearing agent for U.S. equity trades. This agreement can be cancelled with prior 90 day notice by either party.

**7. Income Taxes**

Deferred income taxes represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. At December 31, 2004, the Company had a deferred tax asset of \$4,835 which is included in Other assets on the Statement of Financial Condition. The deferred tax asset relates to depreciation expense which is not yet deductible for tax purposes.

Execution LLC  
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Notes to Statement of Financial Condition (continued)

**8. Subsequent Events**

On February 1, 2005, the Company opened a branch in Boston, Massachusetts to continue to conduct business in US equities and introduce foreign equities to US clients. The Company signed an eight month lease agreement in connection with this new branch and pays rent of approximately \$1,500 per month, beginning March 1, 2005.