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OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden	
Hours per response.	12.00

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

SEC FILE NUMBER
8- 43354

**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:  
Nolan Securities Corporation

OFFICIAL USE ONLY
FIRM I.D. NO.

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

(No. and Street)

Monterey

MA

01245

(City)

(State)

(Zip Code)

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

Paul Ehrenstein

(212) 587-6667

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Kempisty & Company, Certified Public Accountants, P.C.

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

15 Maiden Lane, Suite 1003

New York

New York

10038

(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 25 2005  
THOMSON  
FINANCIAL

SECURITIES AND EXCHANGE COMMISSION  
**RECEIVED**  
MAR 31 2005  
BRANCH OF REGISTRATIONS  
AND  
EXAMINATIONS  
05

**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).

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.

OATH OR AFFIRMATION

I, Bruce Kelly, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Nolan Securities Corporation, as of December 31, 20 04, 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:

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

Bruce P. Kelly  
Signature  
  
President  
Title

DIERDRE STEINHAUS AINBINDER  
Notary Public, State of New York  
No. 01A14899711  
Qualified in Nassau County  
Commission Expires July 6, 20 05

Dierdre Steinhaus Aimbinder  
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 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 15c3-3 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).

**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION**

**DECEMBER 31, 2004**

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# KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

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## INDEPENDENT AUDITOR'S REPORT

To the Stockholder of  
Kelly Securities Corporation D/B/A Nolan Securities Corporation

We have audited the accompanying statement of financial condition of Kelly Securities Corporation D/B/A Nolan Securities Corporation as of December 31, 2004 and the related statements of operations, changes in stockholder's 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 Kelly Securities Corporation D/B/A Nolan Securities Corporation at December 31, 2004 and the results of its' operations and 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 Schedules I, II and III is presented for purposes 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 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.

*Kempisty & Company CPAs, P.C.*

Kempisty & Company  
Certified Public Accountants PC  
New York, New York  
February 28, 2005

**KELLY SECURITIES CORPORATION**  
**D/B/A**  
**NOLAN SECURITIES CORPORATION**

**DECEMBER 31, 2004**

ASSETS

Cash and cash equivalents	\$ 159,321
Deposit with clearing broker (Note 5)	25,000
Due from clearing broker-net (Note 5)	186,514
Securities owned, at fair value (Note 6)	79,213
Receivable from officer	164,046
Other receivables (Note 10)	381,719
Other assets	3,406
Fixed assets, net of accumulated depreciation of \$27,562 (Note 7)	<u>78,968</u>
 TOTAL ASSETS	 \$ <u><u>1,078,187</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued expenses	\$ 81,786
Payable to former SDN holders	<u>154,619</u>
 TOTAL LIABILITIES	 236,405
 Commitments and Contingencies (Note 9)	
 Stockholder's equity	
Common stock, no par value; 100 shares authorized, issued and outstanding	5
Paid-in capital	617,012
Retained earnings	<u>224,765</u>
Total Stockholder's Equity	<u>841,782</u>
 TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	 \$ <u><u>1,078,187</u></u>

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

**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2004**

Revenues:		
Commissions	\$	140,502
Consulting fees		20,000
Interest and dividend income		939
Unrealized loss on securities		<u>(237,004)</u>
 Total Revenues		 <u>(75,563)</u>
 Expenses:		
Travel and entertainment		93,539
Consulting fees		66,160
Placement agent fees		65,266
Professional fees		56,373
Occupancy		39,710
Interest		34,962
Depreciation		27,562
Regulatory fees		5,653
Communications		4,012
Other expenses		<u>45,710</u>
 Total Expenses		 <u>438,947</u>
 Loss before tax provision		 (514,510)
 Income tax provision		 <u>-</u>
 Net loss	\$	 <u><u>(514,510)</u></u>

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

**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION**

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Common Stock Amount</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Totals</u>
Balances at January 1, 2004	\$ 5	\$ 517,012	\$ 937,536	\$ 1,454,553
Capital contribution	-	100,000	-	100,000
Shareholder distribution	-	-	(198,261)	(198,261)
Net loss	-	-	(514,510)	(514,510)
Balances at December 31, 2004	<u>\$ 5</u>	<u>\$ 617,012</u>	<u>\$ 224,765</u>	<u>\$ 841,782</u>

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

**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION**

**STATEMENT OF CHANGES IN SUBORDINATED BORROWINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2004**

Subordinated borrowings at January 1, 2004	\$ 198,000
Decrease:	
Loan maturity	<u>(198,000)</u>
Subordinated borrowings at December 31, 2004	<u><u>\$ -</u></u>

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

**KELLY SECURITIES CORPORATION**  
**D/B/A**  
**NOLAN SECURITIES CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDED DECEMBER 31, 2003**  
Increase (Decrease) in cash

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income	\$ (514,510)
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation	27,562
Unrealized loss on securities	237,004
Adjustment for secured demand note	(39,004)
Changes in operating assets and liabilities:	
(Increase) in due from clearing broker	(204,643)
(Increase) in securities owned, at market	(79,213)
Decrease in other assets	192
Increase in accounts payable and accrued expenses	33,646
Increase in payable to clearing broker	591
Total adjustments	(23,865)

**NET CASH USED BY OPERATING ACTIVITIES** (538,375)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Increase in payable to former SDN holders	6,619
Payment of payable due former SDN holder	(50,000)
Capital contribution	100,000
Shareholder distribution	(198,261)
<b>CASH USED BY FINANCING ACTIVITIES</b>	<b>(141,642)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of fixed assets	(18,732)
Decrease in receivable from officer	84,607
<b>CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>65,875</b>

**NET DECREASE IN CASH** (614,142)

**CASH**

Beginning of year	773,463
End of year	\$ 159,321

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

**KELLY SECURITIES CORPORATION**  
**D/B/A**  
**NOLAN SECURITIES CORPORATION**  
**STATEMENT OF CASH FLOWS (continued)**  
**FOR YEAR ENDED DECEMBER 31, 2003**

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Interest payments	\$ <u>22,462</u>
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SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Maturity of secured demand note	\$ <u>198,000</u>
Release of secured demand note collateral to the Company	\$ <u>198,000</u>
Payable to former SDN holders	\$ <u>154,619</u>
Contribution of marketable securities at market to reduce the officers receivable	\$ <u>316,217</u>

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

**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2004**

NOTE 1- ORGANIZATION AND NATURE OF BUSINESS

Organization

Kelly Securities Corporation D/B/A Nolan Securities Corporation (the "Company"), is a broker/dealer, registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD").

Nature of business

The Company performs various investment banking activities. The Company does not carry customer accounts or perform custodial functions relating to customer securities. Customers of the Company are introduced to a carrying broker/dealer on a fully disclosed basis.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

All short-term investments with an original maturity of three months or less are considered to be cash equivalents.

Revenue Recognition

Investment banking fees are recorded upon the closing of the transaction and consulting fee income is recorded when processed.

Depreciation

The cost of fixed assets is depreciated over the estimated useful lives of the related assets of 5 to 7 years on a straight line basis for book and on an accelerated basis for tax purposes.

Fair Value of Financial Instruments

The carrying value of financial instruments including cash, receivables and accounts payable, approximates their fair value at December 31, 2004 due to the relatively short-term nature of these instruments.

**KELLY SECURITIES CORPORATION**

**D/B/A**

**NOLAN SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2004**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income

The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 requires an entity to report comprehensive income and its components and increases financial reporting disclosures. This standard has no impact on the Company's financial position, cash flows or results of operations since the Company's comprehensive income is the same as its reported net income for 2004.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's 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.

Concentration of Credit Risk

The Company is engaged in various investment and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Recent Accounting Pronouncement

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 clarifies the accounting for certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those financial instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of the provisions of SFAS No. 150 did not have a material effect on the Company's financial position.

**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2004**

**NOTE 3- INCOME TAXES**

For income tax purposes, the shareholder has elected that the Company be treated as an "S" corporation under Subchapter S of the Internal Revenue Code and for state income taxes. Accordingly, no provision has been made for both Federal and state income taxes since the net income or loss of the Company is to be included in the tax return of the individual shareholder.

**NOTE 4- NET CAPITAL REQUIREMENTS**

The Company is a broker/dealer subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1. Under this rule, the Company is required to maintain "net capital" equivalent to \$100,000 or 6 2/3% of "aggregate indebtedness" whichever is greater, as these terms are defined.

At December 31, 2004, the Company had net capital of \$132,321 which was \$32,321 in excess of its required net capital of \$100,000. The Company's net capital ratio was 1.79 to 1 at December 31, 2004.

**NOTE 5- RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS**

Amounts receivable from and payable to its clearing broker at December 31, 2004, consist of the following:

	<u>Receivable</u>	<u>Payable</u>	<u>Total</u>
Deposit with clearing broker	\$ 25,000	\$ -	\$ 25,000
Receivable (payable) from/to clearing broker	207,403	(20,889)	186,514
	<u>\$ 232,403</u>	<u>\$ (20,889)</u>	<u>\$ 211,514</u>

Included in the \$207,403 receivable from clearing broker is \$105,474 in money markets which is subject to a 2% haircut.

**NOTE 6- SECURITIES OWNED**

Securities owned include investment securities that cannot be sold unless registration has been effected under the Securities Act of 1933.

At December 31, 2004, these securities consisted of equity securities with a fair value of \$79,213.

**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2004**

**NOTE 7- FIXED ASSETS**

Fixed assets at December 31, 2004 consist of the following:

Automobile	\$ 47,227
Computers/Equipment	42,751
Artwork	9,750
Leasehold improvements	3,000
Furniture	3,802
	<hr/>
	106,530
Less: Accumulated depreciation	(27,562)
	<hr/>
	\$ 78,968
	<hr/>

**NOTE 8- SUBORDINATED BORROWINGS**

During 2004 the subordinated loan in the amount of \$198,000 matured and was not renewed.

**NOTE 9- COMMITMENTS AND CONTINGENCIES**

The Company rents office space on a month to month basis. Rent expense for the year ended December 31, 2004 was \$39,710.

**NOTE 10- OTHER RECEIVABLE**

On September 5, 2000 the Company pledged \$381,719 worth of its securities to a lender on behalf of its shareholder. This amount has been reflected as a receivable in the statement of financial condition. The pledged securities are returnable to the Company on February 28, 2006. The lender has the right of offset in the event the shareholder does not pay back his loan. In the event of a shareholder default the Company will reclassify the receivable as a distribution to the shareholder.

**NOTE 11- OFF BALANCE SHEET RISK**

Pursuant to clearance agreements, the Company introduces all of its securities transactions to its clearing brokers on a fully-disclosed basis. Therefore, all of the customers' money balances and long and short security positions are carried on the books of the clearing broker. Under certain conditions as defined in the clearance agreement, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the securities transactions introduced by the Company.

**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2004**

NOTE 11- OFF BALANCE SHEET RISK (continued)

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

**SUPPLEMENTARY INFORMATION PURSUANT TO RULE 17a-5**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**KELLY SECURITIES CORPORATION**  
**D/B/A**  
**NOLAN SECURITIES CORPORATION**  
**SCHEDULE I**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2004**

NET CAPITAL:		
Stockholder's equity		\$ 841,782
Less non-allowable assets and deductions:		
Advances receivable	\$ 164,046	
Other receivables	381,719	
Other assets	3,406	
Fixed assets, net	78,968	
Securities owned, at fair value	<u>79,213</u>	
		<u>707,352</u>
Net capital before haircuts		134,430
Less: Haircuts on securities positions		<u>2,109</u>
NET CAPITAL		<u>\$ 132,321</u>
TOTAL AGGREGATE INDEBTEDNESS		<u>\$ 236,405</u>
MINIMUM NET CAPITAL REQUIRED (6 2/3% of aggregate indebtedness)		<u>\$ 15,760</u>
MINIMUM NET CAPITAL REQUIRED		<u>\$ 100,000</u>
EXCESS NET CAPITAL (\$132,321 - \$100,000)		<u>\$ 32,321</u>
PERCENTAGE OF AGGREGATE INDEBTEDNESS TO	\$ 236,405	
NET CAPITAL	<u>\$ 132,321</u>	<u>178.66%</u>

**KELLY SECURITIES CORPORATION**  
**D/B/A**  
**NOLAN SECURITIES CORPORATION**  
**SCHEDULE II**  
**RECONCILIATION OF COMPUTATION OF NET CAPITAL UNDER**  
**RULE 17a-5(d) (4) OF THE SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2004**

NET CAPITAL, as reported in Company's Part II-A Focus Report (Unaudited)	\$	131,968
Increases:		
Decrease in non allowable assets		296,908
Decreases:		
Decrease in income	(98,294)	
Shareholder distribution	(198,261)	(296,555)
		<u>                    </u>
NET CAPITAL, per audit	\$	<u>132,321</u>

**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION  
SCHEDULE III  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER  
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2004**

The Company is exempt from the Securities and Exchange Commission rule 15c3-3 under section (k)(2)(ii) and therefore is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

**SUPPLEMENTARY REPORT OF INDEPENDENT AUDITOR**

# KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

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The Stockholder of  
Kelly Securities Corporation D/B/A Nolan Securities Corporation  
Monterey, Massachusetts

In planning and performing our audit of the financial statements of Kelly Securities Corporation D/B/A Nolan Securities Corporation (the "Company") for the year ended December 31, 2004, we considered its internal control, including control activities for safeguarding securities, 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:

1. Making 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 and the practices and procedures referred to in the preceding paragraphs. 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 conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Kelly Securities Corporation D/B/A Nolan Securities Corporation

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 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, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

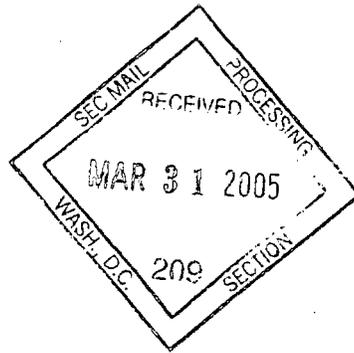
We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that 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 Commission's objectives.

This report recognizes that it is not practicable in an organization the size of Kelly Securities Corporation D/B/A Nolan Securities Corporation to achieve all the divisions of duties and cross-checks generally included in a system of internal control, and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, NASD Regulation, and other regulatory agencies which 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.

*Kempisty & Company CPAs, P.C.*

Kempisty & Company  
Certified Public Accountants PC  
New York, New York  
February 28, 2005



**KELLY SECURITIES CORPORATION  
D/B/A  
NOLAN SECURITIES CORPORATION**

**FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2004  
WITH SUPPLEMENTARY REPORT  
OF INDEPENDENT AUDITOR**