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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**

**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 1/1/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Biondo Asset Management LLC

OFFICIAL USE ONLY  
FIRM ID. NO.

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

544 Routes 6 & 209

(No. and Street)

Milford

PA

18337

(City)

(State)

(Zip Code)

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

Mr. Joseph R. Biondo

570-296-5525

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

J.H. Cohn LLP

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

75 Eisenhower Parkway

NJ

07068-1697

(Address)

(City)

(State)

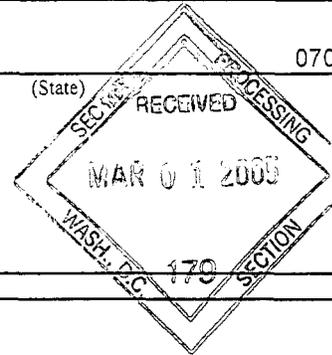
(Zip Code)

CHECK ONE:

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

PROCESSED  
MAR 31 2005

THOMSON  
FINANCIAL



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SEC 1410 (06-02)

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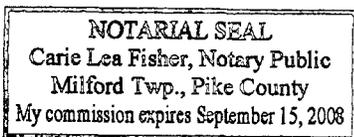
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OATH OR AFFIRMATION

I, Joseph R. Biondo, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Biondo Asset Management LLC, 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:

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



[Signature]  
Signature  
\_\_\_\_\_  
Chief Executive Officer  
Title

Carie Lea Fisher  
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 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 accounting control.

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

**Biondo Asset Management, LLC  
(A Wholly-Owned Subsidiary of  
The Biondo Group, LLC)**

**Report on Financial Statements**

**Year Ended December 31, 2004**

BIONDO ASSET MANAGEMENT, LLC

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**Report of Independent Public Accountants**

To the Member  
Biondo Asset Management, LLC

We have audited the accompanying statement of financial condition of Biondo Asset Management, LLC (a wholly-owned subsidiary of The Biondo Group, LLC) as of December 31, 2004, and the related statements of income, changes in member'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 Biondo Asset Management, LLC as of December 31, 2004, and its results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5, the Company is party to an arbitration proceeding. The likely outcome of this matter has not been determined. If the outcome regarding this matter is unfavorable, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I 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.



Roseland, New Jersey  
February 24, 2005

**BIONDO ASSET MANAGEMENT, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2004**

**ASSETS**

Cash	\$ 8,501
Deposit with clearing organization	100,320
Receivable from clearing organization	24,655
Securities owned, at market value	2,680
Other assets	<u>10,985</u>
Total	<u>\$147,141</u>

**LIABILITIES AND MEMBERS' EQUITY**

Liabilities:	
Accounts payable and accrued expenses	\$ 25,174
Due to Parent	<u>5,755</u>
Total liabilities	30,929
Contingencies	
Member's equity	<u>116,212</u>
Total	<u>\$147,141</u>

See Notes to Financial Statements.

BIONDO ASSET MANAGEMENT, LLC

STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2004

Revenues:	
Commissions	\$ 30,673
Management fees	459,772
Other income	<u>72,510</u>
Total	<u>562,955</u>
Expenses:	
Compensation and benefits	175,710
Clearance and floor brokerage	99,621
Regulatory fees and expenses	13,002
Communications	3,890
Occupancy and equipment rentals	9,283
General and administrative	<u>164,203</u>
Total	<u>465,709</u>
Net income	<u>\$ 97,246</u>

See Notes to Financial Statements.

BIONDO ASSET MANAGEMENT, LLC

STATEMENT OF CHANGES IN MEMBER'S EQUITY  
YEAR ENDED DECEMBER 31, 2004

Balance, January 1, 2004	\$ 98,966
Net income	97,246
Distributions to member	<u>(80,000)</u>
Balance, December 31, 2004	<u>\$116,212</u>

See Notes to Financial Statements.

BIONDO ASSET MANAGEMENT, LLC

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2004

Operating activities:	
Net income	\$ 97,246
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Deposit with clearing organization	(100,320)
Receivable from clearing organization	(24,655)
Securities owned	(2,680)
Other assets	(10,985)
Accounts payable and accrued expenses	23,264
Due to Parent	<u>5,755</u>
Net cash used in operating activities	(12,375)
Financing activities - distributions to member	<u>(80,000)</u>
Net decrease in cash	(92,375)
Cash, beginning of year	<u>100,876</u>
Cash, end of year	<u>\$ 8,501</u>

See Notes to Financial Statements.

# BIONDO ASSET MANAGEMENT, LLC

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Business and summary of significant accounting policies:

#### **Business:**

Biondo Asset Management, LLC (the "Company") is a wholly-owned sub-sidiary of The Biondo Group, LLC (the "Parent"). 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 began operations as a broker-dealer on or about April 1, 2004.

The Company has an agreement with another broker-dealer (the "clearing broker") to clear transactions, carry customers' accounts on a fully-disclosed basis and perform record keeping functions and, consequently, operates under the exemptive provisions of SEC Rule 15c3-3k(2)(ii).

The accompanying financial statements have been prepared from the separate records maintained by the Company and due to certain transactions and agreements with affiliated entities, such financial statements may not necessarily be indicative of the financial condition that would have existed or the results that would have been obtained from operations had the Company operated as an unaffiliated entity.

#### **Use of estimates:**

The preparation 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

#### **Revenue recognition:**

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Management fees, which are earned from a related party, are recognized based on a percentage of investment advisory fees earned by the related party.

#### **Securities transactions and valuations:**

Marketable securities are valued at market on a trade-date basis. Unrealized gains and losses are included in results of operations. Realized gain and losses on sales of securities are determined on a first-in, first-out basis.

#### **Concentrations of credit risk:**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and the deposit with and the receivable from the clearing organization. The Company maintains its cash and temporary cash investments in bank deposit and other accounts, the balances of which, at times, may exceed Federally insured limits. Exposure to credit risk is reduced by maintaining banking and brokerage relationships with high credit quality financial institutions and monitoring their credit ratings.

#### **Income taxes:**

No provision has been made for Federal or state income taxes since it is the personal responsibility of the individual members to separately report their proportionate share of taxable income or loss.

BIONDO ASSET MANAGEMENT, LLC

NOTES TO FINANCIAL STATEMENTS

**Note 2 - Securities owned and securities sold but not yet purchased:**

Securities owned represent positions in marketable securities taken for trading and investment purposes. A summary of those positions as of December 31, 2004 follows:

Marketable securities, at market value - U.S. Government securities	<u>\$2,680</u>
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**Note 3 - Transactions with the Parent and Affiliates:**

The Company provides Biondo Investment Advisors, LLC (the "Affiliate"), a company owned by the Parent, with brokerage clearing services for the Affiliate's clients for which the Company incurs various costs and receives certain revenues. In addition, in accordance with NASD rules, the Company has entered into an Expense Sharing Agreement with the Parent and Affiliate for which certain expenses are allocated between the companies. Such expenses include rent, utilities and administrative services. The amount due to Parent at December 31, 2004 results from these allocations.

Pursuant to this agreement, the Company earns a management fee from the Affiliate based on a percentage of investment advisory fees earned by the Affiliate. The Affiliate earns investment advisory fees in the period in which services are performed based on a percentage of assets under management. Substantially all commissions were earned from transactions related to clients of the Affiliate.

**Note 4 - Net capital requirement:**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 during the first twelve months of operations and 15 to 1 thereafter. Rule 15c3-1 also provides that, after the first twelve months of operations, equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2004, the Company had net capital of \$104,825 which was \$99,825 in excess of its required minimum net capital of \$5,000. The Company's net capital ratio was .30 to 1.

**BIONDO ASSET MANAGEMENT, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Arbitration proceeding:**

The Company, as well as the members of the Parent, are party to an arbitration proceeding (the "Arbitration") before the NASD Office of Dispute Resolution. Another broker-dealer (the "claimant") commenced the Arbitration on or about December 28, 2004. In the Arbitration, the claimant alleges that present employees of the Company, who are all former employees of the claimant, induced employees of the claimant to join the Company as well as solicited the claimant's clients to transfer their accounts to the Company. The claimant is seeking compensatory damages of \$5,000,000, together with punitive damages, attorneys' fees and other relief. The Company intends to file an answer denying the material factual allegations in the claim and the legal precedents for the claim. Thereafter, the Company, as well as the members of the Parent, will defend this matter vigorously. If the outcome in this matter were unfavorable, it could have a material adverse effect on the Company's business, financial position, results of operations and cash flows.

**Note 6 - Financial instruments with off-balance-sheet risk:**

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company's clearing broker extends credit to the customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's account. As a result of guaranteeing customer margin balances carried by the clearing broker, the Company may be exposed to off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses which the customer may incur. Margin accounts guaranteed by the Company at December 31, 2004 were \$13,248,784.

Additionally, the Company is exposed to off-balance-sheet risk of loss on transactions during the period from the trade date to the settlement date, which is generally three business days. If the customer fails to satisfy its contractual obligations to the clearing broker, the Company may have to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer's obligations. Settlement of these transactions did not have a material effect on the Company's financial position.

The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and clearing broker guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customers to deposit additional collateral or to reduce positions, when necessary.

BIONDO ASSET MANAGEMENT, LLC

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2004

Net capital:	
Total member's equity	\$116,212
Deduct nonallowable assets and charges - other assets	<u>10,985</u>
Net capital before haircuts on securities positions	105,227
Deduct haircuts on securities positions - securities owned	<u>402</u>
Net capital	<u>\$104,825</u>
Aggregate indebtedness - total liabilities	<u>\$ 30,929</u>
Computation of basic net capital requirement:	
Minimum net capital required (greater of 12-1/2% of aggregate indebtedness or \$5,000 minimum dollar net capital requirement)	<u>\$ 5,000</u>
Excess of net capital over minimum net capital	<u>\$ 99,825</u>
Excess net capital at 1,000%	<u>\$101,732</u>
Ratio of aggregate indebtedness to net capital	<u>.30</u>

BIONDO ASSET MANAGEMENT, LLC

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION (Concluded)  
DECEMBER 31, 2004

Reconciliation with the Company's computation (included in Part IIA of Form X-17A-5) as of December 31, 2004:		
Net capital as reported in the Company's Part IIA (Unaudited) FOCUS report		\$121,900
Decrease in net capital resulting from changes in:		
Audit adjustments, net:		
Balance sheet reclassifications	\$ 80,841	
Statement of operations changes	<u>(97,916)</u>	<u>(17,075)</u>
Net capital per above		<u>\$104,825</u>
Aggregate indebtedness as reported in the Company's Part IIA (Unaudited) FOCUS report		\$ 18,149
Increase in aggregate indebtedness resulting from audit adjustments and balance sheet reclassifications		<u>12,780</u>
Aggregate indebtedness per above		<u>\$ 30,929</u>

See Report of Independent Public Accountants.

**Report of Independent Public Accountants  
on Internal Control**

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To the Member  
Biondo Asset Management, LLC

In planning and performing our audit of the financial statements and supplemental schedule of Biondo Asset Management, LLC (the "Company") (a wholly-owned subsidiary of The Biondo Group, LLC) as of and 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 Exchange Commission (the "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 (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 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 paragraph. In fulfilling this responsibility, estimates and judgements 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 preparation of financial statements in conformity 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 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 SEC's objectives.

This report is intended solely for the use of the member, management, the SEC, the National Association of Securities Dealers, Inc. and the 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.

*J. H. Cohn LLP*

Roseland, New Jersey  
February 24, 2005