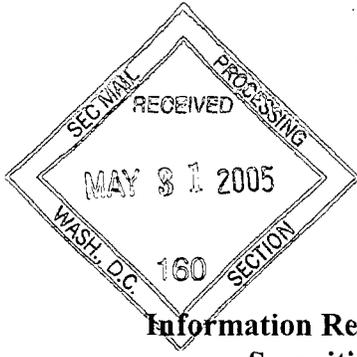


BB



1713
OMB APPROVAL

OMB Number: 3235-0123



SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-49046

**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 04/01/04 AND ENDING 03/31/05
MM/DD/YY

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

STONEBRIDGE ASSOCIATES, LLC

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

10 POST OFFICE SQUARE
BOSTON, MASSACHUSETTS 02109

(City)

(state)

(Zip Code)

PROCESSED

OFFICIAL USE ONLY
FIRM ID. NO.

JUL 21 2005

THOMSON
FINANCIAL

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

RICHARD HARVEY, JR., PRESIDENT

(617) 357-1770

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BROWN & BROWN, LLP

90 CANAL STREET

BOSTON,

MA

02114

(Address)

(City)

(state)

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 40-17a-5(e)(2)

SEC 1410 (6-02)

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.

LM
10/1/19

OATH OR AFFIRMATION

I RICHARD HARVEY, JR. swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STONEBRIDGE ASSOCIATES, LLC as of MAY 26, 2005, 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:

Richard A Harvey Jr
Signature
President
Title

J Chandler
Notary Public
Suzanne Chandler
NOTARY PUBLIC
My commission expires July 16, 2010

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.

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

STONEBRIDGE ASSOCIATES, LLC
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2005 AND 2004

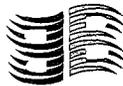


STONEBRIDGE ASSOCIATES, LLC

Years Ended March 31, 2005 and 2004

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Condition	2
Statements of Revenue and Expenses	3
Statements of Members' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	12
SUPPLEMENTARY INFORMATION:	
Statements of Operating Expenses	13
Computation of Net Capital	14
INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5	15-16
Computation for Determination of Reserve Requirements Pursuant to SEC Rule 15c3-3	17
Reconciliation of Unaudited Computation of Net Capital to Audited Computation of Net Capital	18



BROWN & BROWN

Brown & Brown, LLP | Boston | Westborough
Certified Public Accountants | Business and Financial Advisors

To the Members of
Stonebridge Associates, LLC
Boston, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial condition of Stonebridge Associates, LLC (the "Company") as of March 31, 2005 and 2004 and the related statements of revenues and expenses, members' equity, and cash flows for the years then ended. 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 audits.

We conducted our audits 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 misstatements. 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 audits provide 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 Stonebridge Associates, LLC as of March 31, 2005 and 2004 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, beginning April 1, 2003, the Company changed its method from recognizing revenue in accordance with Statement of Financial Accounting Standard No. 48, "*Revenue Recognition When Right of Return Exists*", to recognizing revenue in accordance with Security and Exchange Commission Staff Accounting Bulletin No. 101, "*Revenue Recognition in Financial Statements*".

Boston, Massachusetts
May 13, 2005

STONEBRIDGE ASSOCIATES, LLC
Statements of Financial Condition
March 31, 2005 and 2004

	2005	2004
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 94,393	\$ 194,097
Accounts receivable (net of allowance of \$39,383 in 2005)	67,935	150,039
Deferred costs	406,505	333,790
Prepaid expenses	50,457	57,593
Total current assets	619,290	735,519
Property and equipment, net	30,082	63,454
Other assets:		
Investments, at cost	60,000	60,000
Interest receivable (membership subscription)	20,118	14,727
Other receivable	-	2,822
Other assets	14,858	13,990
Total assets	\$ 744,348	\$ 890,512
<i>Liabilities and Members' Equity</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 58,630	\$ 47,054
Accrued compensation	12,837	43,716
Total current liabilities	71,467	90,770
Commitments and Contingencies (Notes 4 and 6)		
Members' equity:		
Common members	(774,616)	(602,620)
Special common members	(2,576)	67,789
Preferred A members	93,000	93,000
Preferred B members	1,410,500	1,310,000
Membership subscription receivable	(53,427)	(68,427)
Total members' equity	672,881	799,742
Total liabilities and members' equity	\$ 744,348	\$ 890,512

STONEBRIDGE ASSOICATES, LLC
Statements of Revenue and Expenses
Years Ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenue:		
Mergers and acquisitions	\$ 1,408,855	\$ 1,162,369
Private placements	750,500	299,167
Financial advisory	117,591	157,650
Reimbursed expenses	<u>87,389</u>	<u>82,100</u>
Total revenue	2,364,335	1,701,286
Operating expenses	<u>2,233,362</u>	<u>1,745,640</u>
Income (loss) from operations	130,973	(44,354)
Other income:		
Interest income	7,146	8,044
Other income	520	-
Gain on sale of investment	<u>-</u>	<u>18,590</u>
Net income (loss)	<u>\$ 138,639</u>	<u>\$ (17,720)</u>

STONEBRIDGE ASSOCIATES, LLC
Statements of Members' Equity
Years Ended March 31, 2005 and 2004

	Common Members	Special Common Members	Preferred A Members		Preferred B Members		Membership Subscription Receivable	Total
			Redeemable	Non Redeemable	Redeemable	Non Redeemable		
Balance, March 31, 2003	\$ (541,473)	\$ 71,007	\$ 18,600	\$ 74,400	\$ -	\$ 1,263,355	\$ (68,427)	\$ 817,462
Redemption preference	-	-	-	-	1,263,355	(1,263,355)	-	-
Accretion of issuance costs related to redemption preference	(44,313)	(2,332)	-	-	46,645	-	-	-
Allocation of net loss	(16,834)	(886)	-	-	-	-	-	(17,720)
Balance, March 31, 2004	(602,620)	67,789	18,600	74,400	1,310,000	-	(68,427)	799,742
Common membership issuance	70,000	-	-	-	-	-	-	70,000
Common Member Class B Preferred Issuance	-	-	-	-	100,500	-	-	100,500
Distributions to members	(170,900)	(65,000)	-	(18,600)	(196,500)	-	-	(451,000)
Payments on subscription receivable	-	-	-	-	-	-	15,000	15,000
Allocation of net income	(71,096)	(5,365)	-	18,600	196,500	-	-	138,639
Balance, March 31, 2005	\$ (774,616)	\$ (2,576)	\$ 18,600	\$ 74,400	\$ 1,410,500	\$ -	\$ (53,427)	\$ 672,881

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

STONEBRIDGE ASSOCIATES, LLC
Statements of Cash Flows
Years Ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net income (loss)	\$ 138,639	\$ (17,720)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	34,482	39,840
Provision for bad debt	39,383	-
Gain on sale of investment	-	(18,590)
Changes in operating assets and liabilities:		
Accounts receivable	42,721	104,921
Prepaid expenses	7,136	24,439
Deferred costs	(72,715)	(333,790)
Other assets	1,954	-
Accrued interest receivable	(5,391)	(4,780)
Accounts payable and accrued expenses	11,576	(39,286)
Accrued compensation	(30,879)	4,614
	<u>166,906</u>	<u>(240,352)</u>
Cash flows from investing activities:		
Cash paid for purchase of property and equipment	(1,110)	-
Proceeds from the sale of investment	-	18,590
	<u>(1,110)</u>	<u>18,590</u>
Cash flows from financing activities:		
Proceeds from issuance of Preferred B interest	100,500	-
Proceeds from issuance of Common interest	70,000	-
Distribution to members	(451,000)	-
Payments against subscriptions receivable	15,000	-
	<u>(265,500)</u>	<u>-</u>
Net cash used in financing activities	<u>(265,500)</u>	<u>-</u>
Net change in cash and cash equivalents	(99,704)	(221,762)
Cash and cash equivalents, beginning of year	<u>194,097</u>	<u>415,859</u>
Cash and cash equivalents, end of year	<u>\$ 94,393</u>	<u>\$ 194,097</u>

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

STONEBRIDGE ASSOCIATES, LLC
Notes to Financial Statements
Years Ended March 31, 2005 and 2004

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Stonebridge Associates, LLC (the "Company") was formed as a limited liability company on January 18, 1996 and is a registered broker-dealer under the Securities Act of 1934. The Company provides merger and acquisition services, capital raising through private sales of equity and debt securities, and other financial advisory services to companies primarily throughout the United States.

Change in Accounting Principle

Beginning April 1, 2003, the Company changed its method from recognizing revenue in accordance with Statement of Financial Accounting Standard ("SFAS") No. 48, "*Revenue Recognition When Right of Return Exists*", ("SFAS No. 48") to recognizing revenue in accordance with Security and Exchange Commission Staff Accounting Bulletin No. 101, "*Revenue Recognition in Financial Statements*", ("SAB No. 101"). SFAS No. 48 requires the reserving against revenue, based on historical experience, for which services were provided, but the customer has not completed the transaction. SAB No. 101 requires revenue to be recognized when the customer transaction is complete. The Company believes the new method better reflects the economic risks in the current market for its services.

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 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. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Revenue from services provided are recognized at the time there is persuasive evidence that the Company's services have been substantially completed pursuant to the terms of a binding engagement letter, the Company's fee is fixed or determinable, collection of the related receivable is reasonably assured, and customer acceptance criteria, if any, has been successfully demonstrated. Expenses directly associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded. On certain engagements, the Company collects retainers from customers as work is performed. Retainers are recognized when billed, in accordance with the engagement letter, to the extent of engagement costs to date.

Reimbursed Expenses

The Company accounts for reimbursed expenses in accordance with Emerging Issues Task Force No. 01-14, "*Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses*". Accordingly, all reimbursed expenses are included in gross revenue because the Company is the primary obligator, has discretion in selecting a supplier, and bears all the credit risk of paying the supplier prior to receiving reimbursement from the customer.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of 90 days or less to be cash equivalents.

STONEBRIDGE ASSOCIATES, LLC
Notes to Financial Statements
Years Ended March 31, 2005 and 2004

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company places its temporary cash investments with financial institutions which management considers to be of high credit quality. At times, such investments may be in excess of the Federal Insurance Deposit Corporation ("FDIC") insurance limit. The Company provides credit to customers in the normal course of business and collateral is not required for accounts receivable, but ongoing credit evaluations of customers are performed.

Management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. Allowances are based on periodic assessment of overdue accounts, outstanding disputes, historical collection trends, and information on customer's liquidity and financial condition. If the financial condition of our customers were to deteriorate and thereby result in an inability to make payments, additional allowances would be required. At March 31, 2005 and 2004, the allowance for doubtful accounts was \$39,383 and \$0, respectively.

For the year ended March 31, 2005, five customers accounted for approximately 68% of the Company's net revenue and one customer accounted for 92% of accounts receivable. For the year ended March 31, 2004, four customers accounted for approximately 57% of the Company's net revenue and three customers whose account balances accounted for 38%, 20%, and 13% of total accounts receivable.

Deferred Costs

Deferred costs include direct operating costs associated with the delivery of the Company's services which have been capitalized until the time service revenue is recognized. The principal elements of deferred costs are payroll and related expense and occupancy expenses.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Purchases over \$1,000 are capitalized as property and equipment. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. The principal estimated useful lives are five years for computer equipment, seven years for office equipment and furniture and fixtures. Leasehold improvements are amortized on a straight line basis over the shorter of the lease terms or their estimated useful lives. Repair and maintenance costs are expensed as incurred. Improvements which increase the productive value of assets are capitalized and depreciated over the remaining useful life of the related asset.

Long-Lived Assets

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company reviews long-lived assets and all amortizing intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then intangible assets are written down first, followed by the other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets.

STONEBRIDGE ASSOCIATES, LLC
Notes to Financial Statements
Years Ended March 31, 2005 and 2004

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investment in companies in which the Company has less than a 20% interest are carried at cost. Investments consist of convertible preferred stock and warrants to purchase common stock of non public entities received as partial payment for services that the Company rendered. The investments are valued utilizing original offering prices or pricing models and are non-voting shares subject to transfer restrictions because they were not registered under the Securities Act of 1934. Currently, no public market exists for these shares and the Company considers this to be a long-term investment and they are recorded at cost.

During the fiscal year ended December 31, 2004, the Company received shares of stock in the demutualization of its key man life insurance carrier. The Company sold the shares during the fiscal year ended March 31, 2004 and recorded the proceeds of \$18,590 as a gain on sale of investments.

In September 2004, the Company received, as partial payment for financial advisory services, warrants to purchase 75,000 unregistered shares of MicroFinancial, Inc. stock at an exercise price of \$3.70 per share. The Company assigned no value to the warrants due to the underlying securities being unregistered.

Advertising Expense

The cost of advertising is expensed as incurred. Costs are included in operating expense and totaled \$38,211 and \$37,189 during the years ended March 31, 2005 and 2004, respectively.

Comprehensive Income

The Company has no other reportable comprehensive loss items to report, other than net loss, for the periods presented.

Income Taxes

The Company is treated as a partnership for federal and state income tax purposes. Consequently, members are taxed individually on their proportionate share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement. Therefore, the financial statements do not reflect a provision for income taxes.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31:

	<u>2005</u>	<u>2004</u>
Furniture and fixtures	\$ 102,681	\$ 102,681
Computer equipment	74,855	73,745
Leasehold improvements	103,681	103,681
	<u>281,217</u>	<u>280,107</u>
Less: accumulated depreciation	(251,135)	(216,653)
	<u>\$ 30,082</u>	<u>\$ 63,454</u>

Depreciation and amortization expense for the years ended March 31, 2005 and 2004 was \$34,482 and \$39,840, respectively.

STONEBRIDGE ASSOCIATES, LLC
Notes to Financial Statements
Years Ended March 31, 2005 and 2004

NOTE 3 - MEMBERS' EQUITY

On April 1, 1996, the Stonebridge Associates, LLC Operating Agreement (the "Operating Agreement") created two classes of ownership; Common Interest Members (the "Common Interest") and Class A Preferred Interest Members (the "Class A Interest") (collectively the "Members").

On April 1, 2000, the members entered into a certain Amendment to the Operating Agreement (the "2000 Amendment") which created Special Common Interest Members (the "Special Common Interest"). Special Common Interest Members receive all the same rights (including without limitation, voting rights) as the Common Interest Members, except that Special Common Interest Members shall not be entitled to receive distributions upon dissolution other than an amount equal to any unreturned capital, plus any earned but unpaid distributions.

On January 31, 2002, in connection with the redemption of the interest of certain Class A Interest members, the members approved the amendment of the Operating Agreement (the "Amended Operating Agreement"). The Amended Operating Agreement established the Class B Preferred Interest Members ("Class B Interest") while retaining the Class A Interest (collectively the "Preferred Interest Members").

Allocation of Profits and Loss

Profits are allocated first to the Preferred Interest Members until they have received on a cumulative basis since inception of the Company, an amount of profits equal to all amounts of cash and property distributed to them under the Amended Operating Agreement other than distributions of unreturned capital with the balance to the Common Interest Members and Special Common Interest Members. All losses are distributed to Common Interest Members and Special Common Interest Members.

Distributions

Distributions of cash will first be made to all Common Interest Members in an amount sufficient to pay applicable tax obligations. Class A Preferred members will receive distribution of profits equal to 20% of their unreturned capital, then Class B Preferred members will receive distribution of profits equal to 15% of their unreturned capital. Thereafter, profits are allocated between and distributed to Class A Preferred members and Common Interest Members. All distributions are non-cumulative but Class A Preferred members are entitled to a cumulative rate of return including all prior distributions upon the Company's call of the Class A Preferred interest. Class B members' distributions are non-cumulative; they have no rights to receive any deficiencies from prior years. No member may transfer all or any part of their interest in the Company without prior written approval of the directors of the Company.

Redemption of Preferred Interests

Each Class A Preferred Interest member shall have the option, exercisable within 90 days after the commencement of each accounting year, to require the Company to redeem up to 20% of their originally outstanding Class A Preferred interest in the Company, at a price equal to their purchase price plus unpaid distributions of cash or property payable for the previous accounting year. After January 1, 2004, Class B Preferred Interest members shall have the option, exercisable within 90 days after the commencement of each accounting year, to require the Company to redeem up to 100% of their Class B Preferred interest at the purchase price equal to their unreturned capital plus unpaid distributions. At the Company's election, the purchase price will be paid (i) by a five-year promissory note of the Company, (ii) in cash, or (iii) by a combination of cash and such a promissory note. In the event that the Company elects to pay some or all of the purchase price by a promissory note of the Company, such note shall bear interest at the rate of 7% per annum or, if higher, at the applicable federal rate. In all events, such note shall have such terms as are necessary in order for it to qualify as capital for purposes of the rules and regulations of NASD Regulation, Inc.

STONEBRIDGE ASSOCIATES, LLC
Notes to Financial Statements
Years Ended March 31, 2005 and 2004

NOTE 3 - MEMBERS' EQUITY (Continued)

Membership Subscription Receivable

On April 1, 2000, the Company issued a Special Common Interest Membership to a manager of the Company. In return for the Special Common Interest, the Company received \$20,000 and issued a promissory note (the "Note") for \$87,544 (the "Principal Amount") which was recorded as a subscription receivable in members' equity. The Note bears interest at 7% which is payable in arrears on the last business day of each calendar year. The Note is secured by the member's 5% Special Common Interest in the Company, which may or may not provide adequate collateral for the Note. As a result, the Company applies variable plan accounting to the Note and, accordingly, compensation cost is estimated at the end of each period as the amount by which the fair value of the membership interest in the Company exceeds the exercise price of the membership interest to be paid for under the Note. As of March 31, 2005 and 2004, no compensation expense has been recorded, respectively.

As of March 31, 2005, required payments of principal and accrued interest had not been paid in full and, accordingly, the Note is in default. The Company has elected not to exercise its remedies applicable to the default on the Note. As of March 31, 2005 and 2004, the outstanding balance on the Note was \$53,427 and accrued interest receivable was \$20,118 and \$14,727, respectively.

Option Agreement

On April 1, 2000, the Company entered into an option agreement (the "Option") with a member of management and holder of a Special Common Interest (the "Member"). The Member has the option to convert the Member's Special Common Interests to Common Interests at the Option exercise price of \$88,256. The Option expires on the 10th anniversary of the Option agreement and upon the Member's election can be extended for an additional 10 year term. The Member is entitled to exercise the Option only in the event of a dissolution distribution of the Company pursuant to the Amended Operating Agreement. In the event the Member ceases to be employed or to be a member of the Company, the Option will cease to be exercisable as of the effective date of the termination.

Because the option is exercisable only in the event of dissolution, a measurement date for the Option was not able to be established and therefore is subject to variable plan accounting treatment, resulting in a re-measurement of the compensation expense at the end of each period. As of March 31, 2005 and 2004, no compensation expense has been recorded related to the Option, respectively.

NOTE 4 - COMMITMENTS

Operating Leases

The Company leases office equipment under various non-cancelable operating leases which terminate through 2008. The Company leases its office and storage space in Boston, Massachusetts under a non-cancelable operating lease. On May 24, 2004, the Company negotiated an amendment to the lease which changed the monthly payment and extended the lease term through August 31, 2011. Under the terms of the original and the amended lease, the Company assumes related operating expenses.

STONEBRIDGE ASSOCIATES, LLC
Notes to Financial Statements
Years Ended March 31, 2005 and 2004

NOTE 4 – COMMITMENTS (Continued)

Operating Leases (Continued)

Minimum lease payments under the non-cancelable operating leases for the next five years are as follows:

2006	\$ 203,441
2007	213,601
2008	221,594
2009	221,594
2010 and thereafter	526,275
	<u>\$ 1,386,505</u>

Occupancy expense, including operating expenses, for the years ended March 31, 2005 and 2004 were \$245,963 and \$285,325, respectively.

NOTE 5 - EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) Retirement Plan (the "Plan") which is open to substantially all employees meeting the age and length of service requirements set forth in the Plan. The Company's discretionary contributions to the Plan for the years ended March 31, 2005 and 2004 were \$26,650 and \$25,086, respectively.

NOTE 6 - CONTINGENCIES

On January 16, 2004, the Company received notification from the liquidating supervisor of a former client who filed for bankruptcy. The liquidating supervisor asserts a claim against the Company for the recovery of allegedly preferential transfers related to service rendered and reimbursable expenses in the amount of \$21,659. The Company believes the claim is completely without merit and intends to defend its position.

NOTE 7 - NET CAPITAL REQUIREMENT

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Act of 1934, the Company is required to maintain a minimum net capital of the greater of \$5,000 or 6.67% of aggregate liabilities and a ratio of aggregate indebtedness to net capital that shall not exceed 15 to 1 as defined under such provisions.

Net capital and the related net capital ratio may fluctuate on a daily basis. At March 31, 2005, the Company had net capital of \$22,926 which was \$17,926 in excess of its required net capital of \$5,000. At March 31, 2004, the Company had net capital of \$103,327 which was \$97,272 in excess of its required net capital of \$6,055. At March 31, 2005 and 2004, the Company's net capital ratio was 3.12 to 1 and .87 to 1, respectively.

NOTE 8 – SUBSEQUENT EVENTS

On April 29, and May 5, 2005, two Class B Preferred Interest Members contributed an additional \$55,000. A common member received a distribution of \$17,000 on May 4, 2005.



BROWN & BROWN

Brown & Brown, LLP | Boston | Westborough
Certified Public Accountants | Business and Financial Advisors

To the Members of
Stonebridge Associates, LLC
Boston, Massachusetts

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on the following pages is presented for the purpose of additional analysis and, although not required for a fair presentation of financial position, results of operations, and cash flows, was subjected to the audit procedures applied in the audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Boston, Massachusetts
May 13, 2005

STONEBRIDGE ASSOCIATES, LLC
Statements of Operating Expenses
Years Ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Salaries and bonuses	\$ 1,311,210	\$ 917,459
Occupancy expense	245,963	225,892
Payroll taxes	90,398	65,953
Employee benefits	84,576	59,363
Research	62,786	89,953
Accounting	55,740	40,620
Travel	48,909	70,148
Bad debt	39,383	-
Marketing and advertising	38,211	37,189
Amortization and depreciation	34,482	39,840
Office expenses	30,948	29,584
Insurance	30,295	26,971
Meals and entertainment	28,107	28,177
Retirement plan contributions	26,650	25,086
Telephone	21,934	3,455
ANDS license fees	13,639	6,815
Equipment rental	10,488	9,994
Recruiting	10,405	9,675
Legal	9,154	7,208
Repairs and maintenance	8,061	8,040
Subscriptions	6,819	8,602
Messenger and delivery	5,271	6,177
Contributions	3,660	6,290
Fees and services	3,013	6,007
Postage	1,198	996
Temporary labor	1,162	16,146
Consulting expense	10,900	-
	<u>\$ 2,233,362</u>	<u>\$ 1,745,640</u>

STONEBRIDGE ASSOCIATES, LLC
Computation of Net Capital
March 31, 2005

Total members' equity		\$	672,881
Less: Non-allowable assets			<u>(649,955)</u>
Net capital			22,926
Net capital requirement:			
1/15 x aggregate indebtedness or	\$	4,764	
minimum dollar net capital requirement	\$	5,000	<u>5,000</u>
Excess net capital		\$	<u>17,926</u>
Aggregate indebtedness		\$	<u>71,467</u>
Percentage of aggregate indebtedness to net capital			<u>312%</u>



BROWN & BROWN

To the Members of
Stonebridge Associates, LLC
Boston, Massachusetts

Brown & Brown, LLP | Boston | Westborough
Certified Public Accountants | Business and Financial Advisors

INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

In planning and performing our audit of the financial statements of Stonebridge Associates, LLC (the "Company") for the year ended March 31, 2005, we considered its internal control structure, including procedures 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 the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Stonebridge Associates, LLC that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computation of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with exemptive provisions of Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 an internal control structure 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or practices and procedures referred to above, errors or irregularities 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure, including procedures 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 are adequate at March 31, 2005 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

A handwritten signature in black ink that reads "Bore & Bory LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts
May 13, 2005

STONEBRIDGE ASSOCIATES, LLC
Computation for Determination of Reserve Requirements
Pursuant to SEC Rule 15c3-3
March 31, 2005

Stonebridge Associates, LLC does not carry security accounts for customers or perform custodial functions relating to customer securities and is exempt from the reserve requirements pursuant to SEC Rule 15c3-3 under paragraph K2 (B).

STONEBRIDGE ASSOCIATES, LLC
Reconciliation of Unaudited Computation of
Net Capital to Audited Computation of Net Capital
March 31, 2005

The difference per this report and the most recent quarterly filing by the Company of Part II of the Focus Report with respect to the computation of the net capital under Rule 15(c)(3)-1 are reconciled as follows:

Unaudited computation of net capital per most recent quarterly filing	\$ 40,346
Audit adjustments:	
Adjust for accrued interest receivable	5,391
Adjust allowance for bad debts	(39,383)
Adjust accrued expenses to actual	(17,420)
Change in non allowable assets:	
Adjust for accrued interest receivable	(5,391)
Adjust allowance for bad debts	<u>39,383</u>
Net change in net capital	<u>(17,420)</u>
Audited computation of net capital	<u><u>\$ 22,926</u></u>