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

SEC FILE NUMBER
8- 49213

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 January 1, 2005 AND ENDING December 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Capital Research Brokerage Services, LLC

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

107 S. Fair Oaks

Suite 255

Pasadena

(No. and Street)

CA

(State)

91105

(Zip Code)

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

John Odell

(626) 944-1441

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates Inc., Certified Public Accountants

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

9010 Corbin Avenue Suite 7

Northridge

CA

91324

(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 21 2006
THOMSON
FINANCIAL

Handwritten signature

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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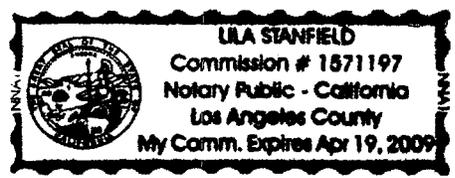
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OATH OR AFFIRMATION

I, John Odell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Capital Research Brokerage Services, LLC, as of December 31, 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:

State of California
County of Los Angeles
Subscribed and sworn (or affirmed) to before me this 13th day of January, 2006
[Signature]
Notary Public

[Signature]
Signature
Partner
Title



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 Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

Independent Auditor's Report

Board of Directors
Capital Research Brokerage Services, LLC

We have audited the accompanying statement of financial condition of Capital Research Brokerage Services, LLC (a California Limited Liability Company) as of December 31, 2005 and the related statements of income, changes in members' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 Capital Research Brokerage Services, LLC as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-IV are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relating to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
January 19, 2006

We Focus & CareSM

9010 Corbin Avenue, Suite 7
Northridge, California 91324
(818) 886-0940 • Fax (818) 886-1924
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Capital Research Brokerage Services, LLC
Statement of Financial Condition
December 31, 2005

Assets

| | |
|--|--------------------------|
| Cash and cash equivalents | \$ 24,231 |
| Cash and securities segregated under federal and other regulations | 990 |
| Receivable from broker and dealer | 179,717 |
| Marketable securities, at market | 338,719 |
| Other receivables | 700 |
| Furniture and equipment, net | <u>7,820</u> |
| Total assets | <u>\$ 552,177</u> |

Liabilities and Members' Equity

Liabilities

| | |
|--------------------------|--------------|
| Accounts payable | \$ 156,104 |
| Income taxes payable | <u>6,000</u> |
| Total liabilities | 162,104 |

| | |
|--|--------------------------|
| Members' equity | <u>390,073</u> |
| Total liabilities and members' equity | <u>\$ 552,177</u> |

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

Capital Research Brokerage Services, LLC
Statement of Income
For the Year Ended December 31, 2005

Revenues

| | |
|---------------------------|------------------|
| Commissions income | \$ 1,829,092 |
| Interest and dividends | 10,584 |
| Unrealized gains (losses) | (1,023) |
| Other income | <u>7,700</u> |
| Total revenues | 1,846,353 |

Expenses

| | |
|---|-------------------------|
| Commissions and floor brokerage | 104,206 |
| Occupancy and equipment rental | 15,747 |
| Taxes, other than income taxes | 17,858 |
| Administrative expenses – related party | 361,000 |
| Other operating expenses | <u>1,315,123</u> |
| Total expenses | <u>1,813,934</u> |

Income (loss) before provision for income taxes 32,419

Income tax provision 6,800

Net income (loss) \$ 25,619

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

**Capital Research Brokerage Services, LLC
Statement of Changes in Members' Equity
For the Year Ended December 31, 2005**

| | <u>Members' Equity</u> |
|--------------------------------------|----------------------------|
| Beginning balance at January 1, 2005 | \$ 364,454 |
| Net income (loss) | <u>25,619</u> |
| Balance at December 31, 2005 | <u>\$ 390,073</u> |

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

Capital Research Brokerage Services, LLC
Statement of Cash Flows
For the Year Ended December 31, 2005

Cash flows from operating activities:

| | | |
|---|--------------|-----------------|
| Net income (loss) | | \$ 25,619 |
| Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by (used in) operating activities: | | |
| Depreciation | \$ 2,730 | |
| Valuation of marketable securities to market | 1,023 | |
| (Increase) decrease in: | | |
| Securities segregated | 5 | |
| Receivable from broker/dealer | (165,639) | |
| (Decrease) increase in: | | |
| Accounts payable | 136,098 | |
| Income taxes payable | <u>3,500</u> | |
| Total adjustments | | <u>(22,283)</u> |
| Net cash and cash equivalents provided by (used in) operating activities | | 3,336 |

Cash flows from investing activities:

| | | |
|---|--------------|--------------|
| Purchase of marketable securities | <u>(838)</u> | |
| Net cash and cash equivalents provided by (used in) investing activities | | (838) |

Net cash and cash equivalents provided by (used in) financing activities -

Net increase (decrease) in cash and cash equivalents 2,498

Cash and cash equivalents at beginning of year 21,733

Cash and cash equivalents at end of year \$ 24,231

Supplemental disclosure of cash flow information:

Cash paid during the year for:

| | | |
|--------------|----|-----|
| Interest | \$ | - |
| Income taxes | \$ | 800 |

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

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Capital Research Brokerage Services, LLC (the "Company") was organized as a California Limited Liability Company ("LLC") on November 12, 1997. In May 2000, the Company acquired The Oakwood Group of Michigan, LLC., a broker/dealer organized on February 14, 1996, in the State of North Carolina as a Limited Liability Company. The surviving company maintained the broker/dealer under the name Capital Research Brokerage Services, LLC. The Company operates in all 50 states, but maintains its main office in Pasadena, California. The Company is a registered broker/dealer under the Securities and Exchange Act of 1934 and a member of the National Association of Securities Dealers.

The Company serves as broker of record for mutual fund activity for the clients of a related company.

The Company has around twenty-one (21) total clients, with three (3) of the clients accounting for 56% of the Company's commission revenues.

Summary of Significant Accounting Policies

The presentation 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, the 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.

Securities transactions are recorded on a trade date basis with related commission income and expenses also recorded on a trade date basis.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market accounts as cash equivalents.

Accounts receivables are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Marketable securities are valued at market value. Mark to market accounting is used for purposes of determining unrealized gain/loss on security positions in proprietary trading and investment accounts. The securities are sold on a first in first out basis; however, certain securities are inventoried on a specific identification basis. Haircuts are deductions from net capital of certain specified percentages of the market value of securities that are long and short in the capital and proprietary accounts of the broker-dealer.

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Furniture and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Furniture and equipment are depreciated over their estimated useful lives ranging from five (5) to seven (7) years using the straight-line method.

The Company, with the consent of its Members, has elected to be a Limited Liability Company. For tax purposes the Company is treated like a partnership, therefore in lieu of business income taxes, the Members are taxed on the Company's taxable income. Accordingly, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar treatment, although there exists a provision for a gross receipts tax and a minimum Franchise Tax of \$800.

Note 2: CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

Cash of \$990 has been segregated in a special reserve bank account for the benefit of customers under rule 15c3-3 of the Securities and Exchange Commission.

Note 3: MARKETABLE SECURITIES, AT MARKET

Marketable securities, at market consisted of certificates of deposit with varying maturities, valued at \$338,719 on December 31, 2005. The company included \$1,023 in unrealized securities losses in income from operations.

Note 4: FURNITURE AND EQUIPMENT, NET

The furniture and equipment are recorded at cost.

| | | <u>Depreciable Life Years</u> |
|--------------------------------|------------------------|-----------------------------------|
| Furniture & fixtures | \$ 11,744 | 7 |
| Machinery & equipment | <u>5,263</u> | 5 |
| Subtotal | 17,007 | |
| Less: accumulated depreciation | <u>(9,187)</u> | |
| Furniture and equipment, net | <u><u>\$ 7,820</u></u> | |

Depreciation expense for the year ended December 31, 2005 was \$2,730.

Notes to Financial Statements
December 31, 2005

Note 5: INCOME TAXES

The Company is a registered limited liability company. The Federal taxation is similar to a partnership, whereby the taxes are paid at the member level. All tax effects of a partnership's income or loss are passed through to the partners individually.

The Company is subject to a limited liability company gross receipts tax, with a minimum provision of \$800. For the year ended December 31, 2005, the Company recorded the gross receipts tax for a limited liability company of \$6,000.

Note 6: RELATED PARTY TRANSACTIONS

The Company maintains its operations utilizing the office space and staff of another company related by common ownership. The majority of the Company's clients are clients of the other Company. The Company has entered into various related party agreements. On April 29, 2004, the Company entered into a "shared expense" agreement in complying with NASD and SEC rules and regulations. The agreement is between the Company and SBG Capital Management, Inc., Odell Investment Group and Capital Research and Consulting, LLC. Under the agreement, the Company will record monthly fees for office space and facilities, administration advisory services and other fees. For the year ended December 31, 2005, the Company paid under this agreement \$402,250. This consists of the following:

| | |
|---------------------|-------------------|
| Administration fees | \$ 361,000 |
| Rent | 15,747 |
| Other fees | <u>25,503</u> |
| | <u>\$ 402,250</u> |

Odell Investment Group, SBG Capital Management, Inc, and Capital Research Consulting, LLC are related parties through common ownership.

The Company also received \$700 a month from a related party, as reimbursement for advertising expenses that benefits the related party. For the year ending December 31, 2005, the Company included \$7,700 in fees received from the related party in other income.

Note 7: RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("FAS 123R"), which requires the measurement and recognition of compensation expense for all stock-based compensation payments including grants of employee stock options. Stock options are a valuable and important tool used by many companies as a means to motivate employees and promote business growth.

Capital Research Brokerage Services, LLC
Notes to Financial Statements
December 31, 2005

NOTE 7: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

This statement eliminates the ability to account for such share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and requires that such transactions be reflected in the financial statements based upon the estimated fair value of the awards. In addition, there are a number of other requirements under the new standard that will result in differing accounting treatment than currently required. These differences include, but are not limited to, the accounting treatment for the tax benefit on employee stock options and for stock issued under an employee stock purchase plan. FASB 123R becomes effective for all reports issued after June 15, 2005. Adoption of the new standard has not had a material effect upon the financial statements of the company.

Note 8: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission 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 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2005, the Company's net capital of \$379,396 exceeded the minimum net capital requirement by \$129,396; and the Company's ratio of aggregate indebtedness (\$162,104) to net capital was 0.43:1, which is less than the 15 to 1 maximum ratio allowed.

Note 9: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$3,501 difference between the computation of net capital under net capital Sec. Rule 15c3-1 and the corresponding unaudited focus part IIA.

| | |
|------------------------------------|-------------------|
| Net capital per unaudited schedule | \$ 382,897 |
| Adjustments: | |
| Members' equity | \$ <u>(3,501)</u> |
| Total adjustments | <u>(3,501)</u> |
| Net capital per audited statements | <u>\$ 379,396</u> |

Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2005

Computation of net capital

| | | |
|---|----------------|----------------|
| Members' equity | \$ 390,073 | |
| Less: Non-allowable assets | | |
| Other receivables | (700) | |
| Furniture and equipment, net | <u>(7,820)</u> | |
| Total non-allowable assets | | <u>(8,520)</u> |
| Net capital before haircuts | | 381,553 |
| Less: Haircuts and undue concentration | | |
| Haircuts on securities | (1,944) | |
| Haircuts on money market accounts | <u>(213)</u> | |
| Total haircuts | | <u>(2,157)</u> |
| Net Capital | | 379,396 |

Computation of net capital requirements

| | | |
|---|----------------|--------------------------|
| Minimum net capital requirements | | |
| 6 2/3 percent of net aggregate indebtedness | \$ 10,807 | |
| Minimum dollar net capital required | <u>250,000</u> | |
| Net capital required (greater of above) | | <u>250,000</u> |
| Excess net capital | | <u><u>\$ 129,396</u></u> |
| Percentage of aggregate indebtedness to net capital | 0.43:1 | |

There was \$3,501 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2005. (See Note 9)

See independent auditor's report.

**Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2005**

Credit Balances

| | | | |
|--|----|---|------|
| Free credit balances and other credit balances in customers' security accounts | \$ | - | |
| Customers' securities failed to receive | | - | |
| Total credits | | - | \$ - |

Debit Balances

| | | | |
|---|--|---|---|
| Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3 | | - | |
| Failed to deliver of customers' securities not older than 30 calendar days | | - | |
| Total debits | | - | - |

Reserve Computation

| | | | |
|---|--|---|------|
| Excess of total credits over total debits | | - | \$ - |
| Reserve required at 105% | | - | \$ - |

| | | | |
|--|--|-----|--------|
| Amount held on deposit in reserve account at December 31, 2004 | | 995 | \$ 995 |
| Amounts deposited (withdrawn) after December 31, 2004 | | (5) | |
| Amount in reserve account at December 31, 2005 | | 990 | \$ 990 |

There was no material difference between reserve requirements here and reserve requirements as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2005.

See independent auditor's report.

**Schedule IV - Information Relating to Possession or Control
Reserve Requirements Under Rule 15c3-3
As of December 31, 2005**

The Company is a self-clearing firm and is subject to the possession or control requirements under Rule 15c3-3 of the Securities and Exchange Commission. The Company is in compliance with these requirements and there were no instances noted during our audit of securities that were required to be in possession or control that had not been reduced to possession or control in the proper time frame.

See independent auditor's report.

Capital Research Brokerage Services, LLC

Supplementary Accountant's Report

on Internal Accounting Control

Report Pursuant to 17a-5

For the Year Ended December 31, 2005

Board of Directors
Capital Research Brokerage Services, LLC

In planning and performing our audit of the financial statements and supplemental schedules of Capital Research Brokerage Services, LLC for the year ended December 31, 2005, we considered its internal control structure, for the purpose 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, we have made a study of the practices and procedures followed by Capital Research Brokerage Services, LLC including tests of such practices and procedures that we considered relevant to 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 security 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 the 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 structure 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 internal control structure policies and procedures and of the practices and procedures referred to in the proceeding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission'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 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

-i-

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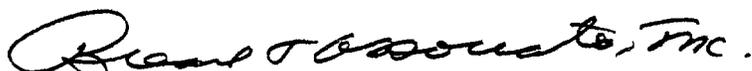
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Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk 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 that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which 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 considered to be material weakness 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 Commission to be adequate for its purpose 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 material inadequacy for such purposes. Based on this understanding on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, 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.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
January 19, 2006