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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20540

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

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**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: **Halyard Securities, LLC**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1325 Avenue of the Americas, Suite 2800

(No. and Street)

New York

NY

10019

(City)

(State)

(Zip Code)

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

Gina M. LaVersa

(212) 763-8381

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Marx, Lange, Gutterman LLP

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

1430 Broadway

New York

NY

10018

(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 13 2006**

**THOMSON  
FINANCIAL**

**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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Handwritten signature and initials

## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members of  
Halyard Securities, LLC

We have audited the accompanying statement of financial condition of Halyard Securities, LLC (the "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 financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 Halyard Securities, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information 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.

*Marx Lange Guterman LLP*  
New York, New York  
February 14, 2006

**HALYARD SECURITIES, LLC**  
**Statement of Financial Condition**  
**December 31, 2005**

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**ASSETS**

Cash	\$ 338,271
Receivable from placement issuers	5,258,446
Disbursement receivable from placement issuers	3,115
Organizational costs, at cost	
net of accumulated depreciation and amortization of \$4,023	12,158

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<b>Total assets</b>	<b>\$ 5,611,990</b>
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**LIABILITIES AND MEMBERS' EQUITY**

**Liabilities**

Due to affiliate	\$ 36,236
Deferred income taxes	207,200
Accrued expenses	13,865

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<b>Total liabilities</b>	<b>257,301</b>
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<b>Members' equity</b>	<b>5,354,689</b>
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<b>Total liabilities and members' equity</b>	<b>\$ 5,611,990</b>
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*The accompanying notes are an integral part of these financial statements.*

**HALYARD SECURITIES, LLC**  
**Statement of Income and Changes in Members' equity**  
**Year Ended December 31, 2005**

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<b>Revenues</b>	
Transaction fees	\$ 6,423,416
Interest income	67,635
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<b>Total revenues</b>	<b>6,491,051</b>
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<b>Expenses</b>	
Professional fees	16,469
Dues and subscriptions	30,196
Registration fees	3,751
Amortization expense	3,242
Other operating expenses	10,400
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<b>Total expenses</b>	<b>64,058</b>
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<b>Income before provision for NYC unincorporated business taxes</b>	<b>6,426,993</b>
<b>Provision for NYC unincorporated business taxes</b>	<b>254,200</b>
<hr/>	
<b>Net income</b>	<b>6,172,793</b>
<b>Members' equity, January 1, 2005</b>	<b>33,919</b>
<b>Members' withdrawals</b>	<b>(852,023)</b>
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<b>Members' equity, December 31, 2005</b>	<b>\$ 5,354,689</b>

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

**HALYARD SECURITIES, LLC**  
**Statement of Cash Flows**  
**Year Ended December 31, 2005**

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<b>Cash flows from operating activities:</b>	
Net income	\$ 6,172,793
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization	3,242
(Increase) in receivables from placement issuers	(5,261,561)
Decrease in prepaid expenses	620
Increase in due to affiliate	36,236
Increase in deferred income taxes	207,200
Increase in accrued expenses	12,865
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<b>Net cash provided by operating activities</b>	<b>1,171,395</b>
<b>Cash flows from financing activities:</b>	
Members' withdrawals	(852,023)
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<b>Net increase in cash and cash equivalents</b>	<b>319,372</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>18,898</b>
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<b>Cash and cash equivalents, end of year</b>	<b>\$ 338,270</b>
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<b>Supplemental disclosure of cash flow information:</b>	
<b>Cash paid during the year for income taxes</b>	<b>\$ 47,000</b>
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*The accompanying notes are an integral part of these financial statements.*

**HALYARD SECURITIES, LLC**  
**Notes to Financial Statements**  
**Year Ended December 31, 2005**

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1. **Organization**

Halyard Securities, LLC (the "Company") was formed in the State of Delaware on June 30, 2004 and is a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Security Dealers (the "NASD"). The Company operates primarily as an agent that assists issuers in executing Equity Private Placements.

2. **Summary of Significant Accounting Policies**

**Property and Equipment**

The Company depreciates office furniture and equipment on the accelerated method over estimated useful lives of 5 to 7 years. Leasehold improvements are depreciated on the straight-line method over a useful life of 39 years.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principals generally accepted in the United States requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income Taxes**

No provision has been made for Federal or NYS income taxes since the Company is treated like a partnership under the Internal Revenue Code and NYS Partnership tax law whereby its income will be taxed directly to its members. The provision for income taxes includes New York City unincorporated business tax of \$254,200.

Deferred income taxes are provided for the difference between recognizing revenues for financial and income tax reporting purposes.

The deferred tax liability represents the future tax consequences of this difference, which will be taxable when the assets are recovered.

**HALYARD SECURITIES, LLC**  
**Notes to Financial Statements**  
**Year Ended December 31, 2005**

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3. **Receivable from Placement Issuers**

As per agreement, the receivables are due as follows:

2006	\$ 2,612,614
2007	1,645,832
2008	<u>1,000,000</u>
	<u>\$ 5,258,446</u>

4. **Related Parties**

The Members of the Company are also members of Precision Capital Advisors, LLC ("PCA"). As per an agreement that the Company has with PCA, virtually all operating expenses related to the Company (wages, rent, etc.) are paid and expensed by PCA. This agreement has been filed and approved by the NASD. As of December 31, 2005 the Company is indebted to PCA in the amount of \$36,236. The amount represents disbursements made on behalf of issuers of private placement securities and is due on demand without interest.

5. **Concentration of Credit Risk**

The Company maintains cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

6. **Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC 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. At December 31, 2005 the Company had net capital of \$288,170, which was \$283,170 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was .17 to 1.

# Supplemental Information

**HALYARD SECURITIES, LLC**  
**Computation of Net Capital**  
**Under Rule 15c3-1 of the Securities and Exchange Commission**  
**as of December 31, 2005**

<b>Computation of net capital:</b>	
Total members' equity	\$ 5,354,689
Less non allowable assets	(5,273,719)
Add deferred taxes payable	207,200
<b>Net capital</b>	<b>\$ 288,170</b>
<b>Minimum net capital required</b>	<b>\$ 5,000</b>
<b>Excess net capital</b>	<b>\$ 283,170</b>
<b>Total aggregate indebtedness</b>	<b>\$ 50,101</b>
<b>Ratio of aggregate indebtedness to net capital</b>	<b>.17 : 1</b>

Reconciliation between the above computation of audited Net Capital of the Company as of December 31, 2005 and the computation included in the Company's corresponding unaudited from X-17A-5 Part IIA filing as of December 31, 2005

Net capital as reported in the Company's (unaudited) FOCUS report	\$ 299,035
Increase in accrued expenses	(10,865)
<b>Net capital</b>	<b>\$ 288,170</b>

**HALYARD SECURITIES, LLC**  
**Computation of Reserve Formula**  
**Pursuant to Rule 15-c3-3**  
**December 31, 2005**

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Exemption claimed under Rule 15c3-3(k)(2)(ii).

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**Supplementary Report  
Of Independent Auditors**

Supplementary Report of Independent Auditors  
on Internal Control Required by SEC Rule 17a-5  
of the Securities Exchange Act of 1934

The Board of Directors and Members of  
Halyard Securities, LLC

In planning and performing our audit of the financial statements and supplemental schedules of Halyard Securities, LLC (the "Company") for the year ended December 31, 2005, 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 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: (i) in making quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by Rule 17a-13, (ii) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System or (iii) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by 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 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.

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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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, 2005 to meet the SEC's objectives.

This report is intended solely for the information and use by the Board of Directors management, the Securities and Exchange Commission, National Association of Securities Dealers, Inc. 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 should not be used by anyone other than these specified parties.

*Marx Lange, Guttermann LLP*

New York, New York  
February 14, 2006

**HALYARD SECURITIES, LLC**  
**REPORT ON AUDIT OF**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**REPORT ON INTERNAL CONTROL**  
**DECEMBER 31, 2005**