

10/30

Rec'd  
9/27/02  
cm



06050831

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

RECD S.E.C.  
SEP 27 2003

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

SEC FILE NUMBER  
8- 52738

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: USBX Advisory Services, LLC.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

2425 Olympic Blvd, Suite 300 East

Santa Monica, CA 90404  
(No and Street) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Gary Schuman (310) 315-6734  
(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  
NOV 03 2005  
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)

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.

PT 11/2

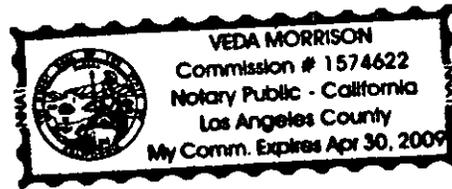
OATH OR AFFIRMATION

I, Gary Schuman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of USBX Advisory 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 10<sup>th</sup> day of February, 2006

Veda Morrison  
Notary Public

[Signature]  
Signature  
Controller / C.C.O  
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).

**USBX Advisory Services, LLC**

**Report Pursuant to Rule 17a-5 (d)**

**Financial Statements**

**For the Year Ended December 31, 2005**

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Independent Auditor's Report

Board of Directors and Member of  
USBX Advisory Services, LLC

We have audited the accompanying statement of financial condition of USBX Advisory Services, LLC as of December 31, 2005, and the related statements of income, changes in member's capital, 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 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 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 USBX Advisory 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-III is 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 relation 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  
February 10, 2006

*We Focus & Care<sup>SM</sup>*

9010 Corbin Avenue, Suite 7  
Northridge, California 91324  
(818) 886-0940 • Fax (818) 886-1924  
[www.baicpa.com](http://www.baicpa.com)

**USBX Advisory Services, LLC**  
**Statement of Financial Condition**  
**December 31, 2005**

**Assets**

Cash and cash equivalents	\$ 3,668,698
Accounts receivable	2,488,474
Office equipment, net	40,244
Investment	2,137
Lease deposit	150,000
Other assets	<u>26,910</u>
<b>Total assets</b>	<b><u>\$ 6,376,463</u></b>

**Liabilities and Member's capital**

**Liabilities**

Accounts payable & accrued expenses	\$ 128,587
Accrued bonuses & commissions expense	1,836,158
Deferred revenue	12,500
Income taxes payable	<u>11,790</u>
<b>Total liabilities</b>	<b>1,989,035</b>

<b>Member's capital</b>	<b><u>4,387,428</u></b>
<b>Total liabilities and member's capital</b>	<b><u>\$ 6,376,463</u></b>

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

**USBX Advisory Services, LLC**  
**Statement of Income**  
**For the Year Ended December 31, 2005**

**Revenue**

Advisory fees	\$ 7,904,074
Interest income	16,104
Investment gains (losses)	(8,390)
Other income	<u>7,339</u>
<b>Total revenue</b>	<b>7,919,127</b>

**Expenses**

Employee compensation & benefits	1,904,487
Commissions	2,379,958
Communications	68,797
Occupancy & equipment rental	267,130
Taxes, licenses and fees, other than income taxes	382,516
Other operating expenses	1,292,326
Reimbursed expenses	<u>(285,097)</u>
<b>Total expenses</b>	<b><u>6,010,117</u></b>

**Income (loss) before income tax provision** 1,909,010

**Total income tax provision** 12,590

**Net income (loss)** \$ 1,896,420

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

**USBX Advisory Services, LLC**  
**Statement of Changes in Member's Capital**  
**For the Year Ended December 31, 2005**

	<u>Member's Capital</u>
Balance on January 1, 2005	\$ 2,491,008
Net income (loss)	<u>1,896,420</u>
Balance on December 31, 2005	<u>\$ 4,387,428</u>

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

**USBX Advisory Services, LLC**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2005**

**Cash flows from operating activities:**

Net income (loss)		\$ 1,896,420
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	\$ 11,709	
Investment (gains) losses	8,390	
(Increase) decrease in:		
Accounts receivable	(2,329,469)	
Other assets	(18,070)	
(Decrease) increase in:		
Accounts payable & accrued expenses	94,940	
Accrued bonuses and commissions expense	63,394	
Deferred revenue	<u>(24,000)</u>	
Total adjustments		<u>2,193,106</u>
Net cash and cash equivalents provided by (used in) operating activities		(296,686)

**Cash flows from investing activities:**

Purchase of office equipment	<u>(36,280)</u>	
Net cash and cash equivalents provided by (used in) investing activities		(36,280)

**Cash flows from financing activities:**

		<u>—</u>
Net increase (decrease) in cash and cash equivalents		(332,966)
Cash and cash equivalents at beginning of year		<u>4,001,664</u>
Cash and cash equivalents at end of year		<u>\$ 3,668,698</u>

**Supplemental disclosure of cash flow information:**

Cash paid during the year for

Interest	\$	—
Income taxes	\$	12,590

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

**USBX Advisory Services, LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 1: GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

USBX Advisory Services, LLC (the "Company"), was originally incorporated in the State of Delaware on June 6, 2000. On June 21, 2000, the Company converted from a corporation into a single member limited liability company. The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers ("NASD") and the Securities Investor Protection Corporation ("SIPC").

The Company is headquartered in Santa Monica, CA, and has an office in Florida.

The Company is an investment banking advisory firm, providing a range of merger and acquisition ("M&A") solutions for the small-to-medium sized business market. It does not carry security accounts for customers and does not perform custodial functions relating to customer securities.

The Company is a wholly-owned subsidiary of USBX, Inc. (the "Parent").

*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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company receives advisory fees in accordance with terms stipulated in its engagement contracts. Financial advisory fees are recognized as earned on a pro rata basis over the term of the contract or the period that advisory services are rendered, whichever is shorter. Deferred revenue represents the portion of revenue which relates to future periods covered by the Company's agreements. Such fees are non-refundable. The Company also receives success fees when transactions are completed. Success fees are recognized when earned, the Company has no further continuing obligations, and collection is reasonably assured.

Advertising costs are expensed as incurred.

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.

**USBX Advisory Services, LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 1: GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(Continued)**

Accounts receivable 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.

Office equipment is 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. Office equipment is depreciated over its estimated useful life of three (3) to seven (7) years by the straight-line method.

The Company is treated as a disregarded entity for federal tax purposes, in accordance with single member limited liability company rules. All tax effects of the Company's income or loss are passed through to the member. Therefore no federal tax provision has been provided. However the Company is subject to a gross receipts tax in California in addition to minimum California tax.

Rent expense for the year ended December 31, 2005, was \$260,408.

**Note 2: OFFICE EQUIPMENT, NET**

Office equipment is recorded at cost.

		<u>Depreciable Life Years</u>
Furniture & fixtures	\$ 10,050	7
Office equipment	59,365	3
Computer software	6,250	3
Less accumulated depreciation	<u>(35,427)</u>	
Office equipment, net	<u>\$ 40,244</u>	

Depreciation expense for the year ended December 31, 2005 was \$11,709.

**Note 3: INVESTMENT**

The investment represents the Company's 50% equity interest in an affiliate, Security Growth Conference, LLC ("SGC"). SGC's primary purpose is to organize and conduct conferences attended by the Company's clients and other interested parties.

**USBX Advisory Services, LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 4: LEASE DEPOSIT**

The lease deposit is a letter of credit for \$150,000 held at the Company's bank. This letter of credit serves as a lease security deposit for the office space occupied by the Company.

**Note 5: INCOME TAXES**

The Company is subject to the California limited liability company gross receipts tax and a minimum tax provision of \$800. At December 31, 2005, the Company recorded the gross receipts tax of \$11,790, and the minimum income tax of \$800, for a total tax provision of \$12,590.

**Note 6: RELATED PARTY TRANSACTIONS**

The Company has entered into an expense sharing agreement with its Parent. The Company or the Parent allocate mutual expenses paid by each, in proportion to the use of the other. For the year ended December 31, 2005, there were no expenses allocated between the Company and the Parent.

The Company has pledged a \$150,000 letter of credit, for the Parent, to serve as a security deposit for office space occupied by the Company. See Note 4.

**Note 7: COMMITMENTS AND CONTINGENCIES**

The Company maintains several bank accounts at a financial institution. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$100,000. At December 31, 2005, the Company had deposits with financial institutions with uninsured cash balances totaling \$3,568,698. The Company has not experienced any losses in such accounts and management believes it places its cash on deposit with financial institutions which are financially stable.

**USBX Advisory Services, LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 8: 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. 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 9: NET CAPITAL**

The Company is subject to the Securities and Exchange Commission 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. Net capital and aggregate indebtedness change day to day, but on December 31, 2005, the Company had net capital of \$1,679,663 which was \$1,547,061 in excess of its required net capital of \$132,602; and the Company's ratio of aggregate indebtedness (\$1,989,035) to net capital was 1.18 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

**Note 10: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is a \$10,208 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		\$ 1,669,455
Adjustments:		
Member's capital	\$ 68,478	
Non-allowable assets	<u>(58,270)</u>	
Total adjustments		<u>(10,208)</u>
Net capital per audited statements		<u>\$ 1,679,663</u>

**USBX Advisory Services, LLC**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of December 31, 2005**

**Computation of net capital**

Member's capital		\$ 4,387,428
Less: Non-allowable assets		
Accounts receivable	(2,488,474)	
Office equipment, net	(40,244)	
Investment	(2,137)	
Lease deposit	(150,000)	
Other assets	<u>(26,910)</u>	
Total non-allowable assets		<u>(2,707,765)</u>
<b>Net Capital</b>		1,679,663

**Computation of net capital requirements**

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 132,602	
Minimum dollar net capital required	<u>5,000</u>	
Net capital required (greater of above)		<u>132,602</u>

**Excess net capital** \$ 1,547,061

Ratio of aggregate indebtedness to net capital 1.18: 1

There was a material \$10,208 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 10.

*See independent auditor's report.*

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

A computation of reserve requirement is not applicable to USBX Advisory Services, LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

*See independent auditor's report.*

**USBX Advisory Services, LLC**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of December 31, 2005**

Information relating to possession or control requirements is not applicable to USBX Advisory Services, LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

*See independent auditor's report.*

**USBX Advisory Services, LLC**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended December 31, 2005**

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Board of Directors and Member of  
USBX Advisory Services, LLC

In planning and performing our audit of the financial statements and supplemental schedules of USBX Advisory 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 ("SEC"), we have made a study of the practices and procedures followed by USBX Advisory 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 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 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

i

*We Focus & Care<sup>SM</sup>*

9010 Corbin Avenue, Suite 7  
Northridge, California 91324  
(818) 886-0940 • Fax (818) 886-1924  
www.baicpa.com

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 SEC 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 SEC's objectives.

This report is intended solely for the use of management, the SEC, 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  
February 10, 2006