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

OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION

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DIVISION OF MARKET REGULATION

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

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2008 AND ENDING DECEMBER 31, 2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: THE REID GROUP LLC

OFFICIAL USE ONLY

FIRM ID. NO. 130448

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

1285 AVENUE OF THE AMERICAS, 35<sup>TH</sup> FLOOR  
(No. and Street)

NEW YORK NY 10019  
(City) (state) (Zip Code)

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

MR. DONOVAN L. REID (212) 554-4030  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

TARLOW & CO., C.P.A.s

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

7 PENN PLAZA, SUITE 804 NEW YORK NY 10001  
(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 240-17a-5(e)(2).

SEC 1410 (3-91)

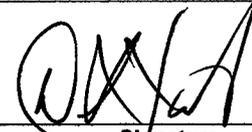
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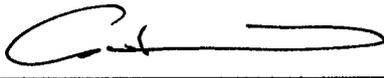
OATH OR AFFIRMATION

I DONOVAN L. REID swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of THE REID GROUP LLC as of DECEMBER 31, 2008, 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:

NONE

  
Signature

CHIEF EXECUTIVE OFFICER  
Title

  
Notary Public

GLORIA FRANCAVILLA  
NOTARY PUBLIC, STATE OF NEW YORK  
NO. 01FR5033646  
QUALIFIED IN SUFFOLK COUNTY  
COMMISSION EXPIRES 9/26/10

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).



TARLOW & CO., C.P.A.'S  
A PROFESSIONAL CORPORATION

7 Penn Plaza, Suite 804, New York, N.Y. 10001 Tel. 212-697-8540 Fax. 212-573-6805

**INDEPENDENT AUDITOR'S REPORT**

To The Management Committee of  
The Reid Group LLC  
New York, New York

We have audited the accompanying statements of financial condition of The Reid Group LLC as of December 31, 2008 and 2007, and the related statements of income, changes in member's equity and cash flows for the year 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 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 The Reid Group LLC as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Tarlow & Co., C.P.A.'s*

New York, New York  
February 18, 2009

**THE REID GROUP LLC**  
**STATEMENTS OF FINANCIAL CONDITION**  
**AS OF DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 151	\$ 7,861
Other current assets	<u>2,500</u>	<u>1</u>
 Total assets	 <u>\$ 2,651</u>	 <u>\$ 7,862</u>
 <b><u>LIABILITIES AND MEMBER'S EQUITY</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable and accrued expenses	\$ <u>3,498</u>	\$ <u>-</u>
 <b><u>Members' Equity</u></b>		
Contributed capital - authorized 1,000,000 units, issued and outstanding 10,000 units	51,974	47,339
Accumulated deficit	<u>(52,821)</u>	<u>(39,477)</u>
 Total member's equity (deficit)	 <u>(847)</u>	 <u>7,862</u>
 Total liabilities and member's equity	 <u>\$ 2,651</u>	 <u>\$ 7,862</u>

**THE REID GROUP LLC**

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Investment banking fees	\$ -	\$ 150,000
Other income	<u>10,000</u>	<u>35,000</u>
 Total revenue	 10,000	 185,000
 <b>Operating expenses :</b>		
General and administrative	<u>23,344</u>	<u>202,947</u>
 <b>Net loss</b>	 <u>\$ (13,344)</u>	 <u>\$ (17,947)</u>

**THE REID GROUP LLC**

**STATEMENTS OF CHANGES IN MEMBER'S EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>Contributed Capital</u>	<u>Accumulated Deficit</u>	<u>Total Member's Equity</u>
Balance at January 1, 2007	\$ 47,339	\$ (21,530)	\$ 25,809
Net loss	<u>-</u>	<u>(17,947)</u>	<u>(17,947)</u>
Balance at December 31, 2007	47,339	(39,477)	7,862
Capital contributions	4,635	-	4,635
Net loss	<u>-</u>	<u>(13,344)</u>	<u>(13,344)</u>
Balance at December 31, 2008	<u>\$ 51,974</u>	<u>\$ (52,821)</u>	<u>\$ (847)</u>

**THE REID GROUP LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>		
Net loss	\$ (13,344)	\$ (17,947)
Adjustments to reconcile net loss to net cash used by operating activities:		
(Increase) decrease in:		
Increase in other current assets	(2,499)	(1)
Increase in accounts payable and accrued expenses	<u>3,498</u>	<u>(2,500)</u>
Net cash used by operating activities	(12,345)	(20,448)
<b>Cash flows from financing activities</b>		
Capital contributions	<u>4,635</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>	(7,710)	(20,448)
Cash and cash equivalents at beginning of year	<u>7,861</u>	<u>28,309</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 151</u>	<u>\$ 7,861</u>

**THE REID GROUP LLC**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

**NOTE 1 - DESCRIPTION OF THE COMPANY**

The Reid Group LLC (the "Company") is an independent boutique investment banking firm headquartered in New York. The Company is a limited liability company formed on December 30, 1998 under the laws of the State of Delaware. The Company is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), formerly the National Association of Securities Dealers, Inc. ("NASD"), effective on September 14, 2004.

The Company offers its middle market institutional clients corporate finance services, including debt and equity private placements, and advisory services, including advice on mergers and acquisition, corporate restructuring, and strategic matters. The firm has no research, trading, lending, or related activities and, instead, is dedicated to providing high-quality, conflict free, client focused advice.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A) Cash and cash equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

B) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C) Revenue recognition

Revenue includes fees for the Company's retention, its role as arranger and agent in private placements, and for advisory services. Retention fees are typically non-reimbursable and recorded when earned upon the execution of client engagement letters. Arrangement and private placement agency fees are earned through the Company's arrangement of credit facilities and private placements of debt and equity securities, respectively. Advisory fees are earned by the Company in its role as financial advisor in mergers and acquisitions and similar transactions. Arrangement and private placement agency fees are recorded at the time the credit facilities and private placement of debt and equity transactions are completed, respectively. Merger and acquisition fees and other advisory service revenues are generally earned and recognized only upon successful completion of the engagement. Unreimbursed expenses associated with private placement and advisory transactions are recorded as non-compensation expenses.

**THE REID GROUP LLC**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

**NOTE 3 - MEMBER'S EQUITY AND LIMITED LIABILITY COMPANY AGREEMENT**

The Limited Liability Company Agreement ("the Agreement"), as amended, dated March 20, 2004, sets forth the respective rights and obligations of Members of the Company and provide for terms of its management and conduct of its affairs. The Company has two Managing Members, of which the current Chief Executive Officer is the sole equity member and owner. The Company's Management Committee is responsible for managing the affairs of the Company.

**NOTE 4 - REGULATORY AUTHORITIES**

The Firm is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934. Rule 15c3-1 requires the maintenance of net capital, as defined, which shall be the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined. The Firm's regulatory net capital at December 31, 2008 and 2007 was (\$3,347) and \$7,861, respectively, which violated the minimum net capital requirement by (\$8,347) and exceeded the minimum net capital requirement by \$2,861. The firm is exempt from SEC Rule 15c3-3 pursuant to paragraph (k)(2)(i).

SEC Rule 17a-11 requires that every broker or dealer whose net capital declines below the minimum amount required pursuant to SEC. 240.15c3-1 shall give notice of such deficiency that same day. The notice shall specify the broker or dealer's net capital requirement and its current amount of net capital. On December 31, 2008, the firm notified the SEC and FINRA that as of December 30, 2008 the firm's net capital was \$1,470 or \$3,530 below the minimum net capital requirement and that the firm will notify the regulators when sufficient capital has been collected to increase capital above its \$5,000 minimum net capital requirement.

**NOTE 5 - INCOME TAXES**

The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the income tax returns of the members whose tax impact depends on their respective tax situations. Accordingly, the financial statements do not reflect a provision for federal, state, and local income taxes.

**SUPPLEMENTARY INFORMATION**

## THE REID GROUP LLC

COMPUTATION OF NET CAPITAL  
PURSUANT TO UNIFORM NET CAPITAL RULE 15c3-1

DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b><u>Net Capital</u></b>		
Total member's equity (deficit)	\$ (847)	\$ 7,862
Deductions and/or charges:		
Non-allowable assets and other charges:		
Other assets	<u>2,500</u>	<u>1</u>
Net capital before haircuts on securities	(3,347)	7,861
Haircuts on Securities (computed, where applicable, rule 15c3-1(f))		
Securities	-	-
Money Market Fund	<u>-</u>	<u>-</u>
<b>Net Capital per rule 15c3-1</b>	<u>\$ (3,347)</u>	<u>\$ 7,861</u>
<b><u>Aggregate Indebtedness</u></b>		
Accounts payable and accrued expenses	<u>\$ 3,498</u>	<u>\$ -</u>
Total aggregate indebtedness	<u>\$ 3,498</u>	<u>\$ -</u>
<b><u>Computation of Basic Net Capital Requirement</u></b>		
Minimum net capital required	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital	<u>\$ (8,347)</u>	<u>\$ 2,861</u>
Ratio of an aggregate indebtedness to net capital	<u>(1.05)</u>	<u>-</u>

No material differences exist between the above computation and the computation included in the Company's corresponding audited Form X-17A-5 Part IIA Filing.

## **REPORT ON INTERNAL CONTROL STRUCTURE**



TARLOW & CO., C.P.A.'S  
A PROFESSIONAL CORPORATION

7 Penn Plaza, Suite 804, New York, N.Y. 10001 Tel. 212-697-8540 Fax. 212-573-6805

To The Management Committee of  
The Reid Group LLC  
New York, New York

In planning and performing our audit of the financial statements of The Reid Group LLC, as of and for the year ended December 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. 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 an internal control and the practices and procedures referred to in the preceding paragraphs. 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 can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with 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 and 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Management Committee, the SEC, FINRA, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specific parties.

*Tarlow & Co., C.P.A.'s*

New York, New York  
February 18, 2009