

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

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

SEC FILE NUMBER  
8-

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 11/01/03 AND ENDING 10/31/04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY  
FIRM I.D. NO.

885 Third Avenue

(No. and Street)

New York

New York

10022

(City)

(State)

(Zip Code)

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

Personal Privacy

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Friehling & Horowitz, CPA's P.C.

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

337 North Main Street

New City

New York

10956

(Address)

(City)

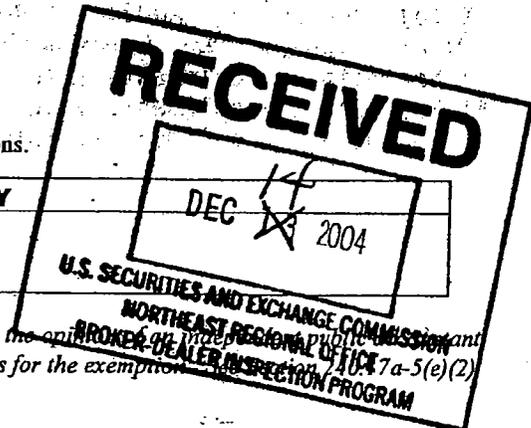
(State)

(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 must be supported by a statement of facts and circumstances relied on as the basis for the exemption.

SEC 1410 (06-02)

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MADOFF\_EXHIBITS-04054



**BERNARD MADOFF**  
INVESTMENT SECURITIES LLC  
885 Third Avenue New York, NY 10022

212 230-2424  
800 334-1343  
Fax 212 486-8178

December 13, 2004

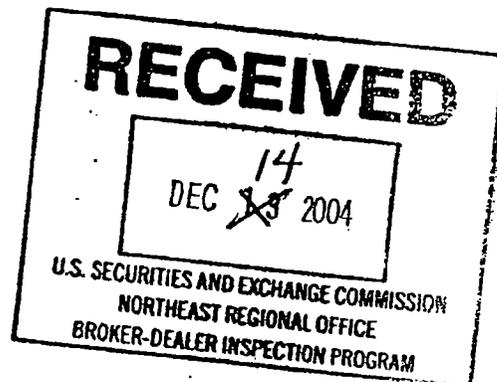
Securities & Exchange Commission  
Northeast Regional Office  
233 Broadway  
6<sup>th</sup> Floor  
New York, NY 10279

Dear Sir/Madam:

Enclosed herewith is our 17a-5 REPORT and STATEMENT OF FINANCIAL  
CONDITION, both dated October 31, 2004 (Pursuant to Rule 17a-(c)2).

Thank you,

BERNARD L. MADOFF INVESTMENT SECURITIES LLC



Affiliated with:  
Madoff Securities International Limited  
12 Berkeley Street, Mayfair, London W1J 8DT. Tel 020-7493 6222

MADOFF\_EXHIBITS-04055

FRIEHLING & HOROWITZ, CPA'S, P.C.

337 NORTH MAIN STREET  
NEW CITY, NEW YORK 10956

PHONE: 845-639-0501

FAX: 845-639-0508

Bernard L. Madoff Investment Securities LLC  
885 Third Avenue  
New York, New York 10022

**INDEPENDENT AUDITORS' REPORT**

Gentlemen:

We have audited the accompanying statement of financial condition of Bernard L. Madoff Investment Securities LLC (the "Company") as of October 31, 2004 and the related statement of operations, changes in ownership equity and cash flows for the fiscal 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 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 the Company's 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 Bernard L. Madoff Investment Securities LLC at October 31, 2004, and the results of its operations and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information referred to in the alternate net capital requirement is presented for the purpose 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.

New City, New York  
December 13, 2004



BERNARD L. MADOFF INVESTMENT SECURITIES, L.C.  
STATEMENT OF OPERATIONS  
YEAR ENDED OCTOBER 31, 2004

REVENUE

2. Gains or losses on firm securities trading accounts:		
a. From market making in over-the-counter equity securities		\$ 19,080,810
i. Includes gains or (losses) OTC market making in exchange listed equity securities	\$ 15,358,824	
b. From trading in debt securities		4,895,772
d. From all other trading		<u>84,755,825</u>
e. Total gains or (losses)		\$108,732,407
10. Other revenue related to securities business		<u>7,072,148</u>
12. TOTAL REVENUE		\$115,804,555

EXPENSES

14. Clerical and administrative employees' expenses	\$ 32,829,133	
17. Commissions and clearance paid to all other brokers	54,180	
18. Clearance paid to non-brokers	215,005	
19. Communications	7,634,456	
20. Occupancy and equipment costs	4,228,050	
21. Promotional costs	79,456	
22. Interest expense	65,159	
24. Data processing costs	1,108,434	
26. Regulatory fees and expenses	6,729,202	
27. Other expenses	<u>25,625,780</u>	
28. TOTAL EXPENSES		<u>78,568,855</u>

NET INCOME

29. Income, before drawings		\$ 37,235,700
DRAWINGS		<u>3,235,700</u>
34. Net Income, after drawings		<u>\$ 34,000,000</u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, L.C.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED OCTOBER 31, 2004

Cash Flows From Operating Accounts	
Net Income	\$ 34,000,000
Adjustments to reconcile Net Income to Net Cash used by operating activities:	
Decrease in securities sold not yet purchased, at market value (short)	( 9,601,921)
Increase in receivables from brokers, dealers and clearing organizations	( 91,628,037)
Decrease in other liabilities	( 2,877,107)
Increase in cash segregated in compliance with federal and other regulations	( 240,000)
Increase in payables to brokers, dealers and clearing organizations	7,646,743
Decrease in securities owned, at market value (long)	47,201,051
Decrease in other assets	<u>1,150,391</u>
NET DECREASE IN CASH	( 14,348,880)
Cash November 1, 2003	<u>149,277,739</u>
Cash October 31, 2004	<u><u>134,928,859</u></u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, L.C.  
STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
FOR THE YEAR ENDED OCTOBER 31, 2004

1. Balance, November 1, 2003	\$478,000,000
A. Net Income	<u>34,000,000</u>
2. Balance, October 31, 2004	<u>\$512,000,000</u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, L.P.  
COMPUTATION OF NET CAPITAL  
AS OF OCTOBER 31, 2004

1. Total ownership equity (from Statement of Financial Condition)			\$512,000,000
6. Deductions and/or charges:			
A. Total non-allowable assets from Statement of Financial Condition		\$ 9,805,457	
B. Aged fail to deliver		19,601	
1. Number of items	7		
F. Other deductions and/or charges		<u>6,538,754</u>	
H. Total deductions and/or charges			( 16,363,812)
8. Net Capital before haircuts on securities positions			\$495,636,188
9. Haircuts on securities:			
C. Trading and investment securities:			
2. U.S. and Canadian government obligations		\$ 2,077,341	
5. Stocks and warrants		84,203,596	
6. Options		2,592,210	
8. Other securities		<u>2,705,952</u>	( 91,579,099)
10. NET CAPITAL			<u>\$404,057,089</u>

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CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, L.C.  
COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT  
AS OF OCTOBER 31, 2004

Part B

22.	2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$ <u>0</u>
23.	Minimum dollar net capital requirement of reporting broker or dealer	\$ <u>1,000,000</u>
24.	Net capital requirement (greater of line 22 or 23)	\$ <u>1,000,000</u>
25.	Excess net capital (net capital – required net capital)	\$ <u>403,057,089</u>
28.	Net capital in excess of: 5% of combined aggregate debit items or \$120,000	\$ <u>403,937,089</u>

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CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, LLC  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
AS OF OCTOBER 31, 2004

CREDIT BALANCES

11. TOTAL CREDITS \$ 0

DEBIT BALANCES

19. TOTAL 15c3-3 DEBITS \$ 0

RESERVE COMPUTATION

23. Amount held on deposit in "Reserve Bank Account", including value of qualified securities, at end of reporting period \$ 20,000

25. New amount in Reserve Bank Account after deposit \$ 20,000

26. Date of deposit 07/27/1999

FREQUENCY OF COMPUTATION

27. Weekly

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES LLC

SUPPLEMENTARY INFORMATION

OCTOBER 31, 2004

1. There were no material differences between the computation of net capital and the computation for determination of reserve requirements as shown on the statements hereto attached and the broker-dealer's unaudited filing of Part II of the FOCUS Report.
2. The audit did not disclose any material inadequacies found to exist or found to have existed since the date of the previous audit.
3. There were no items subject to the Possession or Control Requirements under Rule 15c3-3 to be reported.

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

**BERNARD L. MADOFF INVESTMENT SECURITIES LLC**  
**INDEPENDENT AUDITORS' REPORT ON**  
**INTERNAL CONTROL**  
**YEAR ENDED OCTOBER 31, 2004**

**FRIEHLING & HOROWITZ**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Gentlemen:

In planning and performing our audit of the financial statements of Bernard L. Madoff Investment Securities LLC (the "Company"), for the fiscal year ended October 31, 2004, 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 the 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 compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate debits and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the 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
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

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

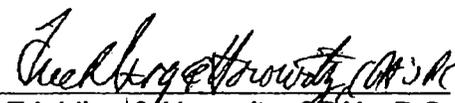
Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or 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

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that 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 October 31, 2004 to meet the SEC's objectives.

This report is intended solely for the information and use of the Company's management, the SEC, the National Association of Securities Dealers, Inc. 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 specified parties.

  
Friedling & Horowitz, CPA's, P.C.

New City, New York  
December 13, 2004

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

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

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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 11/01/03 AND ENDING 10/31/04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

BERNARD L. MADOFF INVESTMENT SECURITIES LLC

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

885 Third Avenue

(No. and Street)

New York

New York

10022

(City)

(State)

(Zip Code)

OFFICIAL USE ONLY

FIRM I.D. NO.

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

Personal Privacy

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Friehling & Horowitz, CPA's P.C.

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

337 North Main Street

New City

New York

10956

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

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\*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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MADOFF\_EXHIBITS-04067

FRIEHLING & HOROWITZ, CPA'S, P.C.

337 NORTH MAIN STREET  
NEW CITY, NEW YORK 10956

PHONE: 845-639-0501

FAX: 845-639-0508

Bernard L. Madoff Investment Securities LLC  
885 Third Avenue  
New York, New York 10022

**INDEPENDENT AUDITORS' REPORT**

Gentlemen:

We have audited the accompanying statement of financial condition of Bernard L. Madoff Investment Securities LLC (the "Company") as of October 31, 2004 and the related statement of operations, changes in ownership equity and cash flows for the fiscal 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 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 the Company's 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 Bernard L. Madoff Investment Securities LLC at October 31, 2004, and the results of its operations and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information referred to in the alternate net capital requirement is presented for the purpose 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.

New City, New York  
December 13, 2004



BERNARD L. MADOFF INVESTMENT SECURITIES, L.P.  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2004

ASSETS

	Allowable	Non- Allowable	Total
1. Cash	\$134,928,859	\$	\$134,928,859
2. Cash segregated in compliance with federal and other regulations	1,716,463		1,716,463
3. Receivable from brokers or dealers and clearing organizations:			
A. Failed to deliver:			
2. Other	218,640		218,640
B. Securities borrowed:			
2. Other	326,109,425		326,109,425
D. Clearing organizations:			
2. Other	9,841,935		9,841,935
E. Other	32,438,260		32,438,260
7. Securities and spot commodities owned, at market value:			
B. U.S. and Canadian government obligations	69,244,700		
E. Stocks and warrants	314,074,835		
F. Options	34,050,775		417,370,310
12. Memberships in exchanges:			
B. Owned, at cost		2,300,650	2,300,650
14. Property, furniture, equipment & leasehold improvements: At cost (net of accumulated depreciation)		6,892,771	6,892,771
15. Other Assets:			
A. Dividends and interest receivable	1,113,770	386,372	
C. Loans and advances		65,650	
D. Miscellaneous	<u>                    </u>	<u>160,014</u>	<u>1,725,806</u>
16. TOTAL ASSETS	<u>\$923,737,662</u>	<u>\$ 9,805,457</u>	<u>\$933,543,119</u>

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CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, L.P.  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2004

LIABILITIES AND OWNERSHIP EQUITY

	<u>Total</u>
<u>Liabilities</u>	
19. Payable to brokers or dealers or clearing organizations:	
A. Failed to receive:	
2. Other	\$ 991,088
B. Securities Loaned	
2. Other	10,878,968
D. Clearing Organizations:	
2. Other	401,798
E. Other	6,438,619
22. Securities sold not yet purchased at market value	398,253,981
23. Accounts payable and accrued liabilities and expenses:	
E. Accrued expenses and other liabilities	3,734,568
F. Other	<u>844,097</u>
26. TOTAL LIABILITIES	\$421,543,119
<u>Ownership Equity</u>	
28. Member's Equity	<u>512,000,000</u>
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY	<u>\$933,543,119</u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

**BERNARD L. MADOFF INVESTMENT SECURITIES LLC**

**STATEMENT OF FINANCIAL CONDITION**

**OCTOBER 31, 2004**

**FRIEHLING & HOROWITZ**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**MADOFF\_EXHIBITS-04071**

FRIEHLING & HOROWITZ, CPA'S, P.C.

337 NORTH MAIN STREET  
NEW CITY, NEW YORK 10956

PHONE: 845-639-0501

FAX: 845-639-0508

Bernard L. Madoff Investment Securities LLC  
885 Third Avenue  
New York, New York 10022

**INDEPENDENT AUDITORS' REPORT**

Gentlemen:

We have audited the accompanying statement of financial condition of Bernard L. Madoff Investment Securities LLC (the "Company") as of October 31, 2004. The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the Company's 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 statement of financial condition presents fairly, in all material respects, the financial position of Bernard L. Madoff Investment Securities LLC at October 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

New City, New York  
December 13, 2004

*Friehling Horowitz, CPAs PC*

BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2004

ASSETS

Cash and cash equivalents	\$134,929,000
Cash segregated in compliance with federal and other regulations	1,716,000
Securities borrowed	326,109,000
Receivable from brokers, dealers and others	44,225,000
U.S. government and federal agency obligations owned, at market value	69,245,000
Other securities owned, at market value	348,125,000
Furniture, fixtures, equipment and leasehold improvements (net of accumulated depreciation)	6,893,000
Membership in exchange	<u>2,301,000</u>
 <u>TOTAL ASSETS</u>	 <u>\$933,543,000</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENT

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2004

LIABILITIES AND MEMBER'S EQUITY

Payable to brokers, dealers and others	\$ 18,710,000
Securities sold, but not yet purchased, at market value	398,254,000
Accounts payable, accrued expenses, taxes and other liabilities	<u>4,579,000</u>
 TOTAL LIABILITIES	 \$421,543,000
 MEMBER'S EQUITY	 <u>512,000,000</u>
 <u>TOTAL LIABILITIES AND MEMBER'S EQUITY</u>	 <u>\$933,543,000</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENT

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
OCTOBER 31, 2004

Our audited Statement of Financial Condition filed pursuant to S.E.C. rule 17a-5, dated October 31, 2004, is available for examination and copying at our office and at the Securities and Exchange Commission in New York, New York.

NOTE 1 -- NATURE OF BUSINESS AND ORGANIZATION

Bernard L. Madoff Investment Securities LLC (the "Company") is a registered broker/dealer with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc. The Company has been executing securities transactions since 1960.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents consist of cash and highly liquid investments not held for resale with maturities, when purchased, of three months or less.

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received in connection with the transactions. Securities borrowed transactions require the Company to provide the counterparty with cash collateral whereas the Company receives cash collateral in securities loaned transactions. The amount of cash collateral required to be deposited is an amount in excess of the market value of the securities borrowed or loaned. It is the Company's policy to monitor the market value of the securities on a daily basis with additional collateral obtained or refunded as necessary.

Assets, liabilities, and income statement accounts denominated in foreign currencies are translated at fiscal year-end rates of exchange. Gains or losses resulting from foreign currency transactions are included in net income.

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis. Securities owned or sold but not yet purchased are stated at quoted market values, with resulting unrealized gains and losses included in results of operations.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

The Company is engaged in various trading and brokerage activities whose counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Furniture and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the MACRS method over the estimated useful life of the asset, generally five or seven years.

Membership in exchange is recorded at cost.

#### NOTE 3 -- REGULATORY REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital rule 15c3-1. The Company has elected to compute its Net Capital requirement under the Alternative Method. At October 31, 2004, under this method, the Company's Net Capital was \$404,057,000. The required Net Capital was \$1,000,000 thereby leaving capital in excess of all requirements of \$403,057,000.

#### NOTE 4 -- COMMITMENTS AND CONTINGENT LIABILITIES

The Company leases certain office space under non-cancelable operating leases which expire in 2007. The aggregate lease and rental commitment payable for the entire term of the lease is \$8,236,000.

The Company has no pending lawsuits against it.



**BERNARD MADOFF**  
**INVESTMENT SECURITIES LLC**  
 885 Third Avenue New York, NY 10022

212 230-2424  
 800 334-1343  
 Fax 212 486-8178

May 24, 2004

Securities and Exchange Commission  
 Northeast Regional Office  
 233 Broadway  
 6<sup>th</sup> Floor  
 New York, NY 10279  
 Attention: Broker Dealer Section

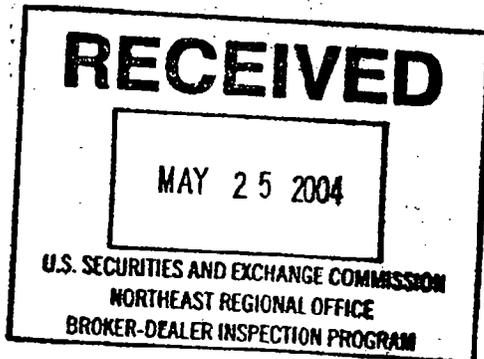
Dear Sir/Madam:

Pursuant to Rule 17a-5(c)(3), enclosed is a copy of our 6 Month *Unaudited* STATEMENT OF FINANCIAL CONDITION as of April 30, 2004.

Sincerely,

BERNARD L. MADOFF  
 INVESTMENT SECURITIES LLC

Personal Privacy



Affiliated with:  
 Madoff Securities International Limited  
 12 Berkeley Street, Mayfair, London W1X 5AD. Tel 020-7493 6222

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: January 31, 2007  
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hours per response..... 12.00

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

SEC FILE NUMBER  
8-

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 11/1/04 AND ENDING 10/31/05  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
**BERNARD L. MADOFF INVESTMENT SECURITIES LLC**  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**885 Third Avenue**

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)  
**New York** **New York** **10022**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARDS TO THIS REPORT  
Personal Privacy  
[REDACTED]  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

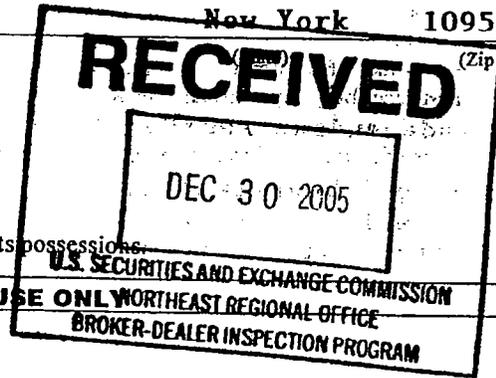
**Friehling & Horowitz, CPA's P.C.**

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

**337 North Main Street** **New City** **New York** **10956**  
(Address) (City) (City) (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)

FRIEHLING & HOROWITZ, CPA'S, P.C.  
337 NORTH MAIN STREET  
NEW CITY, NEW YORK 10956  
PHONE: 845-639-0501  
FAX: 845-639-0508

Bernard L. Madoff Investment Securities LLC  
885 Third Avenue  
New York, New York 10022

**INDEPENDENT AUDITORS' REPORT**

Gentlemen:

We have audited the accompanying statement of financial condition of Bernard L. Madoff Investment Securities LLC (the "Company") as of October 31, 2005 and the related statement of operations, changes in ownership equity and cash flows for the fiscal 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 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 the Company's 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 Bernard L. Madoff Investment Securities LLC at October 31, 2005, and the results of its operations and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information referred to in the alternate net capital requirement is presented for the purpose 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.

New City, New York  
December 14, 2005

*Friehling & Horowitz CPA's PC*

BERNARD L. MADOFF INVESTMENT SECURITIES, L.P.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED OCTOBER 31, 2005

REVENUE

2. Gains or losses on firm securities trading accounts:		
a. From market making in over-the-counter equity securities		\$ 26,546,476
i. Includes gains or (losses) OTC market making in exchange listed equity securities	\$ 15,641,040	
b. From trading in debt securities		1,132,707
d. From all other trading		<u>89,336,623</u>
e. Total gains or (losses)		\$117,015,806
10. Other revenue related to securities business		<u>11,377,367</u>
12. TOTAL REVENUE		\$128,393,173

EXPENSES

14. Clerical and administrative employees' expenses	\$ 37,953,326	
17. Commissions and clearance paid to all other brokers	329,667	
19. Communications	7,658,862	
20. Occupancy and equipment costs	4,168,084	
21. Promotional costs	82,927	
22. Interest expense	18,074	
24. Data processing costs	890,763	
26. Regulatory fees and expenses	5,627,231	
27. Other expenses	<u>25,286,387</u>	
28. TOTAL EXPENSES		<u>82,015,321</u>

NET INCOME

29. Income, before drawings		\$ 46,377,852
DRAWINGS		<u>4,377,852</u>
34. Net Income, after drawings		<u>\$ 42,000,000</u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED OCTOBER 31, 2005

Cash Flows From Operating Accounts	
Net Income	\$ 42,000,000
Adjustments to reconcile Net Income to Net Cash used by operating activities:	
Decrease in securities sold not yet purchased, at market value (short)	( 61,684,286)
Decrease in receivables from brokers, dealers and clearing organizations	129,429,878
Increase in other liabilities	1,183,177
Increase in payables to brokers, dealers and clearing organizations	3,363,967
Increase in securities owned, at market value (long)	( 17,817,932)
Increase in other assets	<u>( 926,634)</u>
 NET INCREASE IN CASH	 95,548,170
 Cash November 1, 2004	 <u>134,928,859</u>
 Cash October 31, 2005	 <u>\$230,477,029</u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, L.P.  
STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
FOR THE YEAR ENDED OCTOBER 31, 2005

1. Balance, November 1, 2004	\$512,000,000
A. Net Income	<u>42,000,000</u>
2. Balance, October 31, 2005	<u>\$554,000,000</u>

**FRIEHLING & HOROWITZ**  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, L.P.  
COMPUTATION OF NET CAPITAL  
AS OF OCTOBER 31, 2005

1. Total ownership equity (from Statement of Financial Condition)			\$554,000,000
6. Deductions and/or charges:			
A. Total non-allowable assets from Statement of Financial Condition		\$ 12,812,419	
B. Aged fail to deliver		12,922	
1. Number of items	1		
F. Other deductions and/or charges		<u>11,758,542</u>	
H. Total deductions and/or charges			<u>( 24,583,883)</u>
8. Net Capital before haircuts on securities positions			\$529,416,117
9. Haircuts on securities:			
C. Trading and investment securities:			
2. U.S. and Canadian government obligations		\$ 1,365,498	
4. Corporate obligations		2,066,625	
5. Stocks and warrants		64,686,722	
6. Options		3,347,564	
8. Other securities		<u>5,207,741</u>	
10. NET CAPITAL			<u>\$452,741,967</u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES  
COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT  
AS OF OCTOBER 31, 2005

Part B

22.	2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$ <u>          0</u>
23.	Minimum dollar net capital requirement of reporting broker or dealer	\$ <u>  1,000,000</u>
24.	Net capital requirement (greater of line 22 or 23)	\$ <u>  1,000,000</u>
25.	Excess net capital (net capital – required net capital)	\$ <u>451,741,967</u>
28.	Net capital in excess of: 5% of combined aggregate debit items or \$120,000	\$ <u>452,621,967</u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, L.P.  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
AS OF OCTOBER 31, 2005

CREDIT BALANCES

11. TOTAL CREDITS \$ 0

DEBIT BALANCES

19. TOTAL 15c3-3 DEBITS \$ 0

RESERVE COMPUTATION

23. Amount held on deposit in "Reserve Bank Account", including value of qualified securities, at end of reporting period \$ 20,000

25. New amount in Reserve Bank Account after deposit \$ 20,000

26. Date of deposit 07/27/1999

FREQUENCY OF COMPUTATION

27. Weekly

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES LLC

SUPPLEMENTARY INFORMATION

OCTOBER 31, 2005

1. There were no material differences between the computation of net capital and the computation for determination of reserve requirements as shown on the statements hereto attached and the broker-dealer's unaudited filing of Part II of the FOCUS Report.
2. The audit did not disclose any material inadequacies found to exist or found to have existed since the date of the previous audit.
3. There were no items subject to the Possession or Control Requirements under Rule 15c3-3 to be reported.

**FRIEHLING & HOROWITZ**  
CERTIFIED PUBLIC ACCOUNTANTS

**BERNARD L. MADOFF INVESTMENT SECURITIES LLC**  
**INDEPENDENT AUDITORS' REPORT ON**  
**INTERNAL CONTROL**  
**YEAR ENDED OCTOBER 31, 2005**

**FRIEHLING & HOROWITZ**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Gentlemen:

In planning and performing our audit of the financial statements of Bernard L. Madoff Investment Securities LLC (the "Company"), for the fiscal year ended October 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 the 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 compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate debits and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the 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
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

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

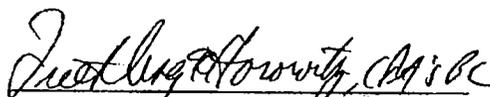
Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or 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

**FRIEHLING & HOROWITZ**  
CERTIFIED PUBLIC ACCOUNTANTS

might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that 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 October 31, 2005 to meet the SEC's objectives.

This report is intended solely for the information and use of the Company's management, the SEC, the National Association of Securities Dealers, Inc. 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 specified parties.

  
FRIEHLING & HOROWITZ, CPA's, P.C.

New City, New York  
December 14, 2005

**FRIEHLING & HOROWITZ**  
CERTIFIED PUBLIC ACCOUNTANTS

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: January 31, 2007  
Estimated average burden  
hours per response..... 12.00

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

SEC FILE NUMBER  
8-

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 11/1/04 AND ENDING 10/31/05  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
**BERNARD L. MADOFF INVESTMENT SECURITIES LLC**  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**885 Third Avenue**

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)  
**New York** **New York** **10022**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Personal Privacy  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

**Friehling & Horowitz, CPA's P.C.**

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

**337 North Main Street** **New City** **New York** **10956**  
(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 (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.

FRIEHLING & HOROWITZ, CPA'S, P.C.

337 NORTH MAIN STREET  
NEW CITY, NEW YORK 10956

PHONE: 845-639-0501

FAX: 845-639-0508

Bernard L. Madoff Investment Securities LLC  
885 Third Avenue  
New York, New York 10022

**INDEPENDENT AUDITORS' REPORT**

Gentlemen:

We have audited the accompanying statement of financial condition of Bernard L. Madoff Investment Securities LLC (the "Company") as of October 31, 2005 and the related statement of operations, changes in ownership equity and cash flows for the fiscal 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 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 the Company's 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 Bernard L. Madoff Investment Securities LLC at October 31, 2005, and the results of its operations and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information referred to in the alternate net capital requirement is presented for the purpose 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.

New City, New York  
December 14, 2005

*Friehling & Horowitz, P.C.*

BERNARD L. MADOFF INVESTMENT SECURITIES, LLC  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2005

ASSETS

	<u>Allowable</u>	<u>Non- Allowable</u>	<u>Total</u>
1. Cash	\$230,477,029	\$	\$230,477,029
2. Cash segregated in compliance with federal and other regulations	1,716,463		1,716,463
3. Receivable from brokers or dealers and clearing organizations:			
A. Failed to deliver:			
2. Other	228,446		228,446
B. Securities borrowed:			
2. Other	226,302,124		226,302,124
D. Clearing organizations:			
2. Other	3,105,855		3,105,855
E. Other	9,541,957		9,541,957
7. Securities and spot commodities owned, at market value:			
B. U.S. and Canadian government obligations	71,959,450		
D. Corporate obligations	13,777,500		
E. Stocks and warrants	271,991,417		
F. Options	75,429,875		433,158,242
8. Securities owned not readily marketable:			
B. At estimated fair value		2,030,000	2,030,000
12. Memberships in exchanges:			
B. Owned, at cost		3,694,400	3,694,400
14. Property, furniture, equipment & leasehold improvements:			
At cost (net of accumulated depreciation)		6,508,853	6,508,853
15. Other Assets:			
A. Dividends and interest receivable	1,063,442	411,649	
C. Loans and advances		160,095	
D. Miscellaneous		7,422	1,642,608
16. TOTAL ASSETS	<u>\$905,593,558</u>	<u>\$ 12,812,419</u>	<u>\$918,405,977</u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES, LLC  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2005

LIABILITIES AND OWNERSHIP EQUITY

	<u>Total</u>
<u>Liabilities</u>	
19. Payable to brokers or dealers or clearing organizations:	
A. Failed to receive:	
2. Other	\$ 872,741
B. Securities Loaned	
2. Other	10,095,177
D. Clearing Organizations:	
2. Other	672,275
E. Other	10,434,247
22. Securities sold not yet purchased at market value	336,569,695
23. Accounts payable and accrued liabilities and expenses:	
E. Accrued expenses and other liabilities	4,984,899
F. Other	<u>776,943</u>
26. TOTAL LIABILITIES	\$364,405,977
<u>Ownership Equity</u>	
28. Member's Equity	<u>554,000,000</u>
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY	<u>\$918,405,977</u>

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

**BERNARD L. MADOFF INVESTMENT SECURITIES LLC**

**STATEMENT OF FINANCIAL CONDITION**

**OCTOBER 31, 2005**

**FRIEHLING & HOROWITZ**  
CERTIFIED PUBLIC ACCOUNTANTS

MADOFF\_EXHIBITS-04094

FRIEHLING & HOROWITZ, CPA'S, P.C.

337 NORTH MAIN STREET  
NEW CITY, NEW YORK 10956

PHONE: 845-639-0501

FAX: 845-639-0508

Bernard L. Madoff Investment Securities LLC  
885 Third Avenue  
New York, New York 10022

**INDEPENDENT AUDITORS' REPORT**

Gentlemen:

We have audited the accompanying statement of financial condition of Bernard L. Madoff Investment Securities LLC (the "Company") as of October 31, 2005. The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the Company's 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 statement of financial condition presents fairly, in all material respects, the financial position of Bernard L. Madoff Investment Securities LLC at October 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

New City, New York  
December 14, 2005

*Friehling Horowitz CPA's PC*

BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2005

ASSETS

Cash and cash equivalents	\$230,477,000
Cash segregated in compliance with federal and other regulations	1,716,000
Securities borrowed	226,302,000
Receivable from brokers, dealers and others	14,519,000
U.S. government and federal agency obligations owned, at market value	71,960,000
Other securities owned, at market value	361,199,000
Securities owned not readily marketable, at estimated fair value	2,030,000
Furniture, fixtures, equipment and leasehold improvements (net of accumulated depreciation)	6,509,000
Membership in exchange	<u>3,694,000</u>
 <u>TOTAL ASSETS</u>	 <u>\$918,406,000</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENT

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2005

LIABILITIES AND MEMBER'S EQUITY

Securities loaned	\$ 10,095,000
Payable to brokers, dealers and others	11,979,000
Securities sold, but not yet purchased, at market value	336,570,000
Accounts payable, accrued expenses, taxes and other liabilities	<u>5,762,000</u>
TOTAL LIABILITIES	\$364,406,000
MEMBER'S EQUITY	<u>554,000,000</u>
<u>TOTAL LIABILITIES AND MEMBER'S EQUITY</u>	<u>\$918,406,000</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENT

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

BERNARD L. MADOFF INVESTMENT SECURITIES LLC  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
OCTOBER 31, 2005

Our audited Statement of Financial Condition filed pursuant to S.E.C. rule 17a-5, dated October 31, 2005, is available for examination and copying at our office and at the Securities and Exchange Commission in New York, New York.

NOTE 1 -- NATURE OF BUSINESS AND ORGANIZATION

Bernard L. Madoff Investment Securities LLC (the "Company") is a registered broker/dealer with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc. The Company has been executing securities transactions since 1960.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents consist of cash and highly liquid investments not held for resale with maturities, when purchased, of three months or less.

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received in connection with the transactions. Securities borrowed transactions require the Company to provide the counterparty with cash collateral whereas the Company receives cash collateral in securities loaned transactions. The amount of cash collateral required to be deposited is an amount in excess of the market value of the securities borrowed or loaned. It is the Company's policy to monitor the market value of the securities on a daily basis with additional collateral obtained or refunded as necessary.

Assets, liabilities, and income statement accounts denominated in foreign currencies are translated at fiscal year-end rates of exchange. Gains or losses resulting from foreign currency transactions are included in net income.

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis. Securities owned or sold but not yet purchased are stated at quoted market values, with resulting unrealized gains and losses included in results of operations.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

FRIEHLING & HOROWITZ  
CERTIFIED PUBLIC ACCOUNTANTS

The Company is engaged in various trading and brokerage activities whose counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Furniture and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the MACRS method over the estimated useful life of the asset, generally five or seven years.

Membership in exchange is recorded at cost.

### NOTE 3 -- REGULATORY REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital rule 15c3-1. The Company has elected to compute its Net Capital requirement under the Alternative Method. At October 31, 2005, under this method, the Company's Net Capital was \$452,742,000. The required Net Capital was \$1,000,000 thereby leaving capital in excess of all requirements of \$451,742,000.

### NOTE 4 -- COMMITMENTS AND CONTINGENT LIABILITIES

The Company leases certain office space under non-cancelable operating leases which expire in 2007. The aggregate lease and rental commitment payable for the entire term of the lease is \$4,435,000.

The Company has no pending lawsuits against it.