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

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

VE 9-24-03  
OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00

SEC FILE NUMBER  
8- 865736

**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 July 1, 2002 AND ENDING June 30, 2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Connely Dowd Management, Inc.

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

700 N. Pearl Street Suite 900

(No. and Street)

Dallas, TX 75201

(City)

(State)

(Zip Code)

OFFICIAL USE ONLY  
FIRM ID. NO.

PROCESSED  
SEP 10 2003

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

Eric P. McDonald (214) 953-0066

(Area Code -- Telephone No.)

THOMSON  
FINANCIAL

**B. ACCOUNTANT IDENTIFICATION**

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

Grant Thornton LLP

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

1717 Main Street Suite 500

Dallas

Texas

75201

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

REC'D S.E.C.  
AUG 29 2003  
636

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).

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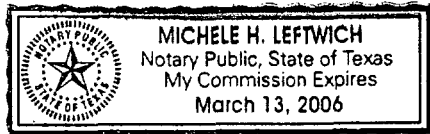
OATH OR AFFIRMATION

I, Eric P. McDonald, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Connolly Dowd, Management, Inc., as of June 30, 2003, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Eric P. McDonald  
Signature  
President  
\_\_\_\_\_  
Title

Michele H. Leftwich  
Notary Public



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 Financial Condition.
- (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.
- (o) Independent auditors' report on internal control.

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

Financial Statements and Report of Independent Certified Public Accountants

**Connely Dowd Management, Inc.**

June 30, 2003

**Connely Dowd Management, Inc.**

**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**

For the period from inception (December 10, 2002) to June 30, 2003

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**Report of Independent Certified Public Accountants**

Board of Directors  
Connely Dowd Management, Inc.

We have audited the accompanying statement of financial condition of Connely Dowd Management, Inc. as of June 30, 2003, and the related statements of operations, changes in stockholder's equity, and cash flows for the period from inception (December 10, 2002) to June 30, 2003. 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 Connely Dowd Management, Inc. at June 30, 2003, and the results of its operations and its cash flows for the period from inception (December 10, 2002) to June 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Grant Thornton LLP*

Dallas, Texas  
August 8, 2003

Connely Dowd Management, Inc.

STATEMENT OF FINANCIAL CONDITION

June 30, 2003

ASSETS

Cash	\$ 77,963
Due from clearing broker	30
Deposit with clearing broker	<u>40,000</u>
Total assets	<u>\$117,993</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Payable to Parent	\$ 1,500
Accounts payable and accrued liabilities	<u>802</u>
Total liabilities	2,302
Stockholder's equity	
Common stock, \$.01 par value; authorized, 1,000 shares; issued and outstanding, 100 shares	1
Additional paid-in capital	124,999
Accumulated deficit	<u>(9,309)</u>
Total stockholder's equity	<u>115,691</u>
Total liabilities and stockholder's equity	<u>\$117,993</u>

Connely Dowd Management, Inc.

STATEMENT OF OPERATIONS

For the period from inception (December 10, 2002) to June 30, 2003

Revenues		
Interest		\$ 30
Expenses		
Clearing charges		800
Regulatory fees		7,039
Other		<u>1,500</u>
Total expenses		<u>9,339</u>
Net loss		<u>\$(9,309)</u>

**Connely Dowd Management, Inc.**

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

For the period from inception (December 10, 2002) to June 30, 2003

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Issuance of common stock	\$1	\$124,999	\$ -	\$125,000
Net loss	-	-	(9,309)	(9,309)
Balance at June 30, 2003	<u>\$1</u>	<u>\$124,999</u>	<u>\$(9,309)</u>	<u>\$115,691</u>



Connely Dowd Management, Inc.

STATEMENT OF CASH FLOWS

For the period from inception (December 10, 2002) to June 30, 2003

Cash flows from operating activities	
Net loss	\$ (9,309)
Changes in operating assets and liabilities	
Due from clearing broker	(30)
Deposit with clearing broker	(40,000)
Payable to Parent	1,500
Accounts payable and accrued liabilities	<u>802</u>
Net cash used in operating activities	(47,037)
Cash flows from financing activities	
Proceeds from issuance of common stock	<u>125,000</u>
Net increase in cash	77,963
Cash, beginning of period	<u>-</u>
Cash, end of period	<u>\$ 77,963</u>

**Connely Dowd Management, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2003

**NOTE A - ORGANIZATION AND NATURE OF BUSINESS**

Connely Dowd Management, Inc. (the Company), is a broker-dealer registered with the Securities and Exchange Commission under the exemptive provisions of Rule 15c3-3(k)(2)(ii) and a member of the National Association of Securities Dealers, Inc. The Company acts as an introducing broker-dealer serving customers in Texas. The Company is a Texas corporation and is a wholly owned subsidiary of MUTUALS.com Holding Corp. (the Parent).

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

Use of Estimates

The preparation 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Commission revenue and expenses related to securities transactions are recorded on the trade-date basis.

Income Taxes

The Company is included in the consolidated Federal income tax return of the Parent. The Company records income taxes under Financial Accounting Standards Board Statement No. 109 using the liability method, as though it files a separate return. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. At June 30, 2003, there were no significant basis differences. Because of uncertainty of utilization of the Company's net operating loss carryforward (approximately \$9,000 at June 30, 2003), no tax benefit has been reflected in the accompanying financial statements.

**NOTE C - MANAGEMENT FEE PAID TO PARENT**

The Parent provides the Company with office space in exchange for a fee of \$500 per month under an operating lease expiring December 2006. The Parent also provides personal property, staff and general and administrative services to the Company. During the period from inception (December 10, 2002) to June 30, 2003, no charges were made by the parent as the Company did not have significant business activities.

**Connely Dowd Management, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2003

**NOTE D - NET CAPITAL REQUIREMENTS**

The Company is subject to 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. At June 30, 2003, the Company had net capital of \$115,691, which was \$110,691 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital ratio was 0.02 to 1.

**NOTE E - DUE FROM CLEARING BROKER AND DEPOSITS WITH CLEARING BROKER**

The Company introduces its customers to a clearing broker with whom it has a correspondent relationship for execution and clearance in accordance with the terms of a clearance agreement. The Company's clearing broker is exposed to risk of loss in the event the customer fails to satisfy its obligation. In connection therewith, the Company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain related to the Company's customers. Management believes that risk of loss relating to the indemnity is minimal due to the Company's policy of requiring funds to be received prior to executing transactions and the fact that transactions are substantially all in mutual funds, which management believes have generally lower volatility and are not generally purchased using margin.

SUPPLEMENTAL SCHEDULES

Connely Dowd Management, Inc.

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION

June 30, 2003

**COMPUTATION OF NET CAPITAL**

Total stockholder's equity	\$115,691
Deductions and/or charges:	
Nonallowable assets	-
Net capital before haircuts on securities positions	-
Haircuts on securities	-
Net capital	<u>\$115,691</u>

**AGGREGATE INDEBTEDNESS**

Total aggregate indebtedness	<u>\$ 2,302</u>
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**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6 2/3% of total aggregate indebtedness)	<u>\$ 153</u>
Minimum dollar net capital requirement of reporting broker-dealer	<u>\$ 5,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 5,000</u>
Net capital in excess of required minimum	<u>\$110,691</u>
Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	<u>\$115,461</u>
Ratio: aggregate indebtedness to net capital	<u>0.02:1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION:**

Net capital, as reported in the Company's Part IIA (Unaudited) Focus Report	\$117,191
Audit adjustments	<u>(1,500)</u>
Net capital, as calculated above	<u>\$115,691</u>
Aggregate indebtedness, as reported in the Company's Part IIA (Unaudited) Focus Report	\$ 802
Audit adjustments and reclassifications	<u>1,500</u>
Aggregate indebtedness, as presented above	<u>\$ 2,302</u>

**Connely Dowd Management, Inc.**

**SCHEDULE II - COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

June 30, 2003

The Company is exempt from Rule 15c3-3 pursuant to paragraph (k)(2)(ii) of the rule.

SUPPLEMENTAL REPORT

## REPORT ON INTERNAL CONTROL

Board of Directors  
Connely Dowd Management, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Connely Dowd Management, Inc. (the Company) for the period from inception (December 10, 2002) to June 30, 2003, we considered its internal control, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the criteria 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 exemption 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
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 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 accounting principles generally accepted in the United States of America. 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, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of 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 procedures 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 June 30, 2003, to meet the SEC's criteria.

This report is intended solely for the use of the Board of Directors, 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.

*Grant Thornton LLP*

Dallas, Texas  
August 8, 2003

