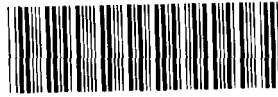


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OMB APPROVAL

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

SEC FILE NUMBER

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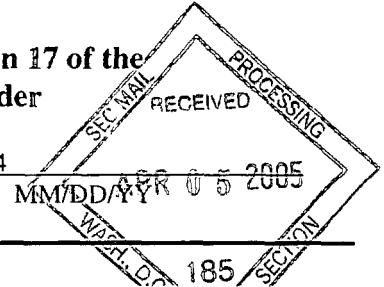
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



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 01/01/2004 AND ENDING 12/31/2004  
MM/DD/YY



A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
Benefit Finance Securities, LLC

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

12800 Corporate Hill Drive, Suite 300

(No. and Street)

St. Louis  
(City)

Missouri  
(State)

63131-1850  
(Zip Code)

OFFICIAL USE ONLY  
FIRM ID. NO.

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

Chris Garlich

314-729-2210  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Rubin, Brown, Gornstein & Co., LLP

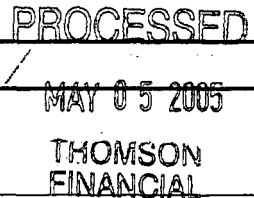
(Name - if individual, state last, first, middle name)

One North Brentwood  
(Address)

Clayton  
(City)

MO  
(State)

63105  
(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).

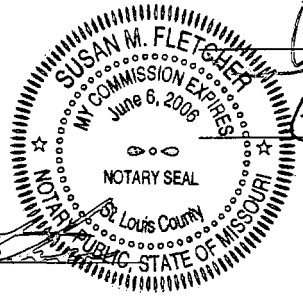
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OATH OR AFFIRMATION

I, Chris Garlich, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Benefit Finance Securities, LLC, as of December 31, 2004, 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:

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

*Chris Garlich*  
Signature  
*EVF*  
Title



*Susan M. Fletcher*  
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 Cash Flows.
- (e) Statement of Changes in Member's Equity.
- (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).

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***BENEFIT FINANCE SECURITIES, LLC***

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2004*

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& Business Consultants

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## Independent Auditors' Report

Member  
Benefit Finance Securities, LLC  
St. Louis, Missouri

We have audited the accompanying statement of financial condition of Benefit Finance Securities, LLC, (the Company) as of December 31, 2004, and the related statements of income, changes in member's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Benefit Finance Securities, LLC as of December 31, 2004 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Rubin, Brown, Gornstein & Co. LLP*

January 27, 2005

# BENEFIT FINANCE SECURITIES, LLC

## STATEMENT OF FINANCIAL CONDITION

December 31, 2004

### Assets

Cash and cash equivalents	\$ 778,009
Securities owned - not readily marketable, at estimated fair value	42,300
Accounts receivable	<u>51,701</u>
	<u>\$ 872,010</u>

### Liabilities And Member's Equity

#### Liabilities

Accounts payable	\$ 460
Due to affiliated company (Note 3)	60,000
Deferred revenue	<u>430,000</u>
<b>Total Liabilities</b>	<u>490,460</u>

#### Member's Equity

Contributed capital	19,000
Retained earnings	<u>362,550</u>
<b>Total Member's Equity</b>	<u>381,550</u>
	<u>\$ 872,010</u>

**BENEFIT FINANCE SECURITIES, LLC**

---

**STATEMENT OF CHANGES IN MEMBER'S EQUITY**  
**For The Year Ended December 31, 2004**

<b>Balance - Beginning Of Year</b>	<b>\$ 153,050</b>
<b>Net Income</b>	<b>528,500</b>
<b>Distributions</b>	<b>(300,000)</b>
<b>Balance - End Of Year</b>	<b><u>\$ 381,550</u></b>

# BENEFIT FINANCE SECURITIES, LLC

## STATEMENT OF INCOME For The Year Ended December 31, 2004

<b>Revenues</b>	
Commissions earned	\$ 517,953
Plan administration fees	856,974
Other fee income	69,508
Interest and dividends	7,964
Other income	1,025
<b>Total Revenues</b>	<u>1,453,424</u>
<b>Expenses</b>	
Management fee	900,000
Taxes and licenses	13,436
Professional fees	9,245
Other expenses	2,243
<b>Total Expenses</b>	<u>924,924</u>
<b>Net Income</b>	<u>\$ 528,500</u>



# BENEFIT FINANCE SECURITIES, LLC

## STATEMENT OF CASH FLOWS For The Year Ended December 31, 2004

<b>Cash Flows From Operating Activities</b>	
Net income	\$ 528,500
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts receivable	(51,478)
Decrease in accounts payable	(70)
Increase in deferred revenue	50,000
Decrease in due to affiliated company	(113,920)
<b>Net Cash Provided By Operating Activities</b>	<u>413,032</u>
<b>Cash Flows Used In Financing Activities</b>	
Distributions paid to member	<u>(300,000)</u>
<b>Net Increase In Cash And Cash Equivalents</b>	113,032
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<u>664,977</u>
<b>Cash And Cash Equivalents - End Of Year</b>	<u>\$ 778,009</u>

# BENEFIT FINANCE SECURITIES, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004

### 1. Summary Of Significant Accounting Policies

#### Estimates And Assumptions

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

#### Revenue Recognition

Plan administration fees are derived and earned over the term of the contract from policy administration pursuant to the sale, by a retail broker-dealer, of a variable insurance related contract. Those administration fees not earned as of December 31, 2004 are shown as deferred revenue.

The Company also receives commissions from direct sales of corporate life insurance policies. Revenue from commissions is earned at the point the premiums are paid.

#### Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Company places its temporary cash investments with high-credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At December 31, 2004, investments exceeded FDIC insurance coverage by \$678,009.

#### Securities

Securities not readily marketable are valued at fair value. Fair value of securities is determined by quoted market prices. The estimated fair value of securities for which there is no market price is based on management estimates. Management has assessed that fair value approximates historical cost for securities held as of December 31, 2004. Any resulting difference between cost and market is included in principal transactions.

## **BENEFIT FINANCE SECURITIES, LLC**

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### Notes To Financial Statements *(Continued)*

#### **Accounts Receivable**

Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

#### **Income Taxes**

The Company, with the consent of its member, has elected to be taxed as a limited liability company under the Internal Revenue Code. Under this election, earnings of the Company are taxed at the member level. Accordingly, no provision has been made for income taxes.

## **2. Operations**

The Company, a wholly-owned subsidiary of Bancorp Services, LLC (Bancorp), was organized as a limited liability company on December 4, 1997 and commenced operations in December 1998. The Company is registered with the Securities and Exchange Commission (the SEC) as a broker-dealer in selling variable life insurance annuities and private placements in Missouri. Also, the Company provides plan administration services for these variable life insurance contracts. The Company is a member of the National Association of Securities Dealers, Inc. and operates under the exemptive provisions of SEC Rule 15c3-3(k)(1).

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2004, the Company was in compliance with both of the above stated net capital rules.

## **3. Related Party Transactions**

Sales commissions and plan administration fees are due from and payable to, respectively, an affiliated company partially owned by Bancorp. There were no sales commissions due from this affiliate at December 31, 2004. Plan administration fees are due to the affiliate in the amount of \$60,000 at December 31, 2004.

## **BENEFIT FINANCE SECURITIES, LLC**

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### Notes To Financial Statements *(Continued)*

#### **4. Management Fees**

Effective January 1, 2004, the Company entered into an expense agreement with Bancorp to pay a monthly fee of \$75,000 for the cost of space, equipment and technology support, sales and marketing support and administrative and financial support. Management fee expense totaled \$900,000 in 2004. Effective January 1, 2005, the Company amended its expense agreement with Bancorp. Under the new agreement the Company will pay Bancorp a monthly management fee of \$10,000.

#### **5. Concentrations In Revenues**

In 2004, three customers accounted for 83% of commissions earned. Four customers accounted for substantially all of the plan administration fees earned in 2004. Late in 2005, the Company's contract to earn plan administration fees from one customer, that accounted for 86% of these fees in 2004, will end and not be renewed.

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**Independent Auditors' Report On Supplementary Information  
Required By Rule 17a-5 Of The Securities  
And Exchange Commission**

Member  
Benefit Finance Securities, LLC  
St. Louis, Missouri

We have audited the accompanying financial statements of Benefit Finance Securities, LLC as of and for the year ended December 31, 2004 and have issued our report thereon dated January 27, 2005. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules presented on pages 12 and 13 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 of 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.

*Rubin, Brown, Gornstein & Co. LLP*

January 27, 2005

# BENEFIT FINANCE SECURITIES, LLC

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

December 31, 2004

<b>Net Capital</b>	
Total member's equity	<u>\$ 381,550</u>
Deductions and/or charges:	
Nonallowable assets:	
Securities owned, not readily marketable	42,300
Accounts receivable	<u>51,701</u>
Total nonallowable assets	<u>94,001</u>
<b>Net Capital</b>	<u><u>\$ 287,549</u></u>
<b>Aggregate Indebtedness</b>	<u><u>\$ 490,460</u></u>
<b>Computation Of Basic Net Capital Requirement</b>	
Minimum net capital required	<u><u>\$ 32,697</u></u>
Minimum dollar net capital requirement	<u><u>\$ 5,000</u></u>
Net capital requirement (greater of above)	<u><u>\$ 32,697</u></u>
Excess net capital	<u><u>\$ 254,852</u></u>
Excess net capital at 1000%	<u><u>\$ 238,503</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>1.71 to 1</u></u>

There are no differences between the audited Computation of Net Capital above and the Company's corresponding Calculation of Net Capital in the Unaudited Part II Focus Report.

**BENEFIT FINANCE SECURITIES, LLC**

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**EXEMPTIVE PROVISION UNDER RULE 15c3-3**

**December 31, 2004**

An exemption from Rule 15c3-3 is claimed as the broker-dealer does not hold customer funds or securities. All accounts are on a fully disclosed basis.

Therefore the schedules of "Computation For Determination Of Reserve Requirements Under Rule 15c3-3" and "Information Relating to the Possession Or Control Requirements Under Rule 15c3-3" are inapplicable.

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St. Louis, MO 63105

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F 314.290.3400

www.rbg.com  
rbg@rbg.com

## **Independent Auditors' Report On Internal Accounting Control**

**Member**  
**Benefit Finance Securities, LLC**  
**St. Louis, Missouri**

In planning and performing our audit of the financial statements of Benefit Finance Securities, LLC (the Company) for the year ended December 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 internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (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
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 Company's management 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 preparation of financial statements in conformity 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, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of 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 December 31, 2004 to meet the SEC's objectives.

Member  
Benefit Finance Securities, LLC

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

*Rubin, Brown, Hornstein & Co. LLP*

January 27, 2005