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

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

SEC FILE NUMBER
8- 51703

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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 01/01/2002 AND ENDING 12/31/2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Pembroke Financial Partners LLC

OFFICIAL USE ONLY
<u>47193</u>
FIRM I.D. NO.

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

4450 Post Oak Place, Suite 119

	(No. and Street)		
<u>Houston</u>	<u>Texas</u>	<u>77027</u>	
(City)	(State)	(Zip Code)	

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Daniel E. LeGaye (281) 367-0380  
 (Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

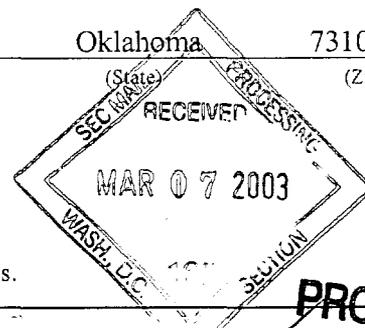
Grant Thornton LLP

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

<u>211N. Robinson</u>	<u>Suite 1200</u>	<u>Oklahoma City</u>	<u>Oklahoma</u>	<u>73102</u>
(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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THOMSON FINANCIAL

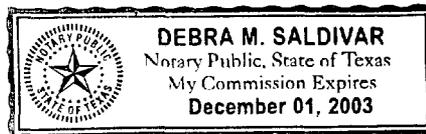
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Daniel E. LeGaye, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pembroke Financial Partners LLC, as of December 31, 2002, 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:

Daniel E. LeGaye
Signature
Daniel E. LeGaye FINOP
Title

Debra M. Saldivar
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 Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors. N/A - see note D
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3. N/A
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation. N/A
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report. N/A
(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).

Financial statements, schedules and report of independent certified public accountants

**Pembroke Financial Partners, L.L.C.**

December 31, 2002 and 2001

**Report of Independent Certified Public Accountants**

Board of Directors  
Pembroke Financial Partners, L.L.C.

We have audited the statements of financial condition of Pembroke Financial Partners, L.L.C. as of December 31, 2002 and 2001, and the related statements of operations, members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 Pembroke Financial Partners, L.L.C. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements, referred to above, taken as a whole. The following supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 of the Securities and Exchange Commission:

- Computation of Net Capital Under Rule 15c3-1 (Schedule 1)
- Compliance with Rule 15c3-3 (Schedule 2)

These schedules have been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Grant Thornton LLP*

Oklahoma City, Oklahoma  
February 14, 2003

# Pembroke Financial Partners, L.L.C.

## STATEMENTS OF FINANCIAL CONDITION

December 31,

	<u>2002</u>	<u>2001</u>
ASSETS		
Cash	\$ 13,179	\$ 12,654
Commissions receivable	1,103	1,521
Prepaid expenses	<u>14,000</u>	<u>-</u>
	<u>\$ 28,282</u>	<u>\$ 14,175</u>
MEMBERS' EQUITY		
Members' equity		
Members' capital	\$ 45,348	\$ 23,377
Accumulated deficit	<u>(17,066)</u>	<u>(9,202)</u>
	<u>\$ 28,282</u>	<u>\$ 14,175</u>

The accompanying notes are an integral part of these statements.

# Pembroke Financial Partners, L.L.C.

## STATEMENTS OF OPERATIONS

Year ended December 31,

	<u>2002</u>	<u>2001</u>
Revenue		
Commission income	\$ 34,666	\$ 40,055
Expenses		
General and administrative	26,901	7,516
Consulting fees	<u>15,629</u>	<u>13,590</u>
	<u>42,530</u>	<u>21,106</u>
NET INCOME (LOSS)	<u>\$ (7,864)</u>	<u>\$ 18,949</u>

The accompanying notes are an integral part of these statements.

# Pembroke Financial Partners, L.L.C.

## STATEMENT OF MEMBERS' EQUITY

Years ended December 31, 2002 and 2001

	<u>Members</u>		<u>Accumulated deficit</u>	<u>Total members' equity</u>
	<u>Hitchcock</u>	<u>Townsend</u>		
Balances at January 1, 2001	\$ 45,061	\$ -	\$ (28,151)	\$ 16,910
Capital contribution	9,158	9,158	-	18,316
Distributions	(40,000)	-	-	(40,000)
Net income	-	-	18,949	18,949
Assignment of member interest	<u>9,158</u>	<u>(9,158)</u>	<u>-</u>	<u>-</u>
Balances at December 31, 2001	23,377	-	(9,202)	14,175
Capital contribution	21,971	-	-	21,971
Net loss	<u>-</u>	<u>-</u>	<u>(7,864)</u>	<u>(7,864)</u>
Balances at December 31, 2002	<u>\$ 45,348</u>	<u>\$ -</u>	<u>\$ (17,066)</u>	<u>\$ 28,282</u>

The accompanying notes are an integral part of this statement.

# Pembroke Financial Partners, L.L.C.

## STATEMENTS OF CASH FLOWS

Year ended December 31,

	<u>2002</u>	<u>2001</u>
Cash generated by operating activities		
Net income (loss)	\$ (7,864)	\$ 18,949
Decrease in commissions receivable	418	348
Increase in prepaid expenses	<u>(14,000)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(21,446)</u>	19,297
Cash flows from financing activities		
Capital contributions	21,971	18,316
Distributions	<u>-</u>	<u>(40,000)</u>
Net cash provided by (used in) financing activities	<u>21,971</u>	<u>(21,684)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	525	(2,387)
Cash and cash equivalents at beginning of year	<u>12,654</u>	<u>15,041</u>
Cash and cash equivalents at end of year	<u>\$ 13,179</u>	<u>\$ 12,654</u>

The accompanying notes are an integral part of these statements.

# Pembroke Financial Partners, L.L.C.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2002 and 2001

### NOTE A - SUMMARY OF ACCOUNTING POLICIES

Pembroke Financial Partners, L.L.C. (the Company) was formed on November 24, 1998 and is registered with the Securities and Exchange Commission as a securities broker/dealer. The Company's primary activity is investment banking.

The Company is classified as a partnership for income tax purposes; accordingly, income taxes on net income are payable personally by the members and are not reflected in the financial statements. As a limited liability company, members have limited personal liabilities for the obligations or debts of the Company.

A summary of the Company's significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Cash Equivalents

All highly liquid instruments purchased with a maturity of three months or less are considered to be cash equivalents.

2. Accounts Receivable

Management considers accounts receivable from commission agreements to be fully collectible; accordingly, no allowance for doubtful accounts is required. Amounts considered to be uncollectible are charged to operations when that determination is made.

3. Revenue Recognition

Commission revenue is recognized on the trade date.

4. Use of Estimates

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

5. Reclassifications

Certain reclassifications have been made to the 2001 financial statements to conform with the 2002 presentation.

## Pembroke Financial Partners, L.L.C.

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2002 and 2001

#### NOTE B - COMMISSION AGREEMENT

During 2000, the Company entered into an agreement with a broker/dealer under which it may refer clients to such broker/dealer. As defined in the agreement, the Company is entitled to a commission for securities transactions executed by the broker/dealer on referrals generated by the Company. Revenues for 2002 and 2001 consist entirely of commissions generated under this agreement largely for transactions executed by the Company for one of the members.

#### NOTE C - NET CAPITAL

Pursuant to Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain minimum net capital, as defined under such rule. Under this rule, the Company's "aggregate indebtedness," as defined, cannot exceed 1500% of its "net capital," as defined, and net capital must be no less than \$5,000. Net capital and the related percentage may fluctuate on a daily basis. At December 31, 2002 and 2001, net capital was \$14,070 and \$14,175, respectively, and the percentage of aggregate indebtedness to net capital was 0% and 0%, respectively. Excess net capital was \$9,070 and \$9,175 at December 31, 2002 and 2001, respectively.

#### NOTE D - SUBORDINATED LIABILITIES

There were no liabilities subordinated to claims of general creditors at December 31, 2002 and 2001, or at any time during the years then ended.

#### NOTE E - AFFILIATE TRANSACTIONS

The Company has a management agreement with an affiliate under which the affiliate provides comprehensive management and administrative services for a fixed fee. The agreement further provides for charges related to overhead expenses incurred by the affiliate on behalf of the Company. Total expenses incurred under this agreement were \$20,000 for 2002:

Capital contributions of \$21,971 in 2002 and \$18,316 in 2001 were received through payment of Company expenses directly by the member.

## Pembroke Financial Partners, L.L.C.

## COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1

December 31,

	<u>2002</u>	<u>2001</u>
Aggregate indebtedness	\$ -	\$ -
Net capital		
Members' equity	28,282	14,175
Deductions and/or charges		
Commissions receivable over 30 days	(212)	-
Prepaid expenses	<u>(14,000)</u>	<u>-</u>
	<u>(14,212)</u>	<u>-</u>
Net capital	14,070	14,175
Required net capital	<u>5,000</u>	<u>5,000</u>
Excess net capital	<u>\$ 9,070</u>	<u>\$ 9,175</u>
Percentage of aggregate indebtedness to net capital	<u>0%</u>	<u>0%</u>

Note: There are no material differences between the above calculation and the calculation included in the Company's unaudited FOCUS report as of December 31, 2002.

**Pembroke Financial Partners, L.L.C.**

COMPLIANCE WITH RULE 15c3-3

December 31, 2002 and 2001

The Company is exempt from Rule 15c3-3 pursuant to the provisions of subparagraph k(2)(i).

## Grant Thornton

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