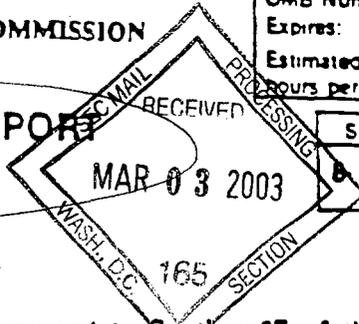




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UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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



OMB APPROVAL OMB Number 3235-0123 Expires: October 31, 1989 Estimated average burden Hours per response 12.00 SEC FILE NUMBER 53344

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 01/01/02 AND ENDING 12/31/02 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Shattuck Hammond Partners LLC

OFFICIAL USE ONLY FIRM ID. NO.

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

630 Fifth Avenue, Suite 2950

(No. and Street)

New York,

New York

10111

(City)

(State)

(Zip Code)

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

Richard Lorenti

(212) 314-0318

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Grant Thornton LLP

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

60 Broad Street

New York

N.Y.

10004

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 21 2003

FOR OFFICIAL USE ONLY THOMSON FINANCIAL

*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).

OATH OR AFFIRMATION

I, Richard Lorenti swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Shattuck Hammond 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:

Richard Lorenti

Signature

Chief Financial Officer

Title

Michael B. Hammond

MICHAEL B. HAMMOND

Notary Public, State of New York
No. 31-4629204

Qualified in New York County
Commission Expires February 28, 192003

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~~ Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

REPORT PURSUANT TO RULE 17a-5(d) AND
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

SHATTUCK HAMMOND PARTNERS LLC

December 31, 2002

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Members of
Shattuck Hammond Partners LLC

We have audited the accompanying statement of financial condition of Shattuck Hammond Partners LLC (the "Company") as of December 31, 2002, and the related statements of income, changes in members' capital, 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 Shattuck Hammond Partners LLC as of December 31, 2002, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our 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.

GRANT THORNTON LLP

New York, New York
February 5, 2003

Shattuck Hammond Partners LLC
STATEMENT OF FINANCIAL CONDITION

December 31, 2002
(expressed in United States dollars)

ASSETS

Cash and cash equivalents	\$3,586,540
Investment banking and advisory fees receivable	2,399,449
Other receivables	1,388
Furniture and equipment (net of accumulated depreciation of \$104,266)	233,184
Other assets	<u>260,055</u>
Total assets	<u>\$6,480,616</u>

LIABILITIES AND MEMBERS' CAPITAL

Accounts payable	\$ 28,688
Accrued expenses	<u>351,928</u>
	380,616
Commitments	
Members' capital	<u>6,100,000</u>
Total liabilities and members' capital	<u>\$6,480,616</u>

The accompanying notes are an integral part of this statement.

Shattuck Hammond Partners LLC

STATEMENT OF INCOME

Year ended December 31, 2002
(expressed in United States dollars)

Revenues	
Advisory fees	\$12,469,448
Underwriting	1,655,783
Remarketing	1,096,403
Private placement income	2,500,596
Expense reimbursement revenue	720,131
Other income	<u>146,089</u>
	18,588,450
Operating expenses	
Compensation and benefits	5,135,875
Engagement expenses	1,832,656
Occupancy costs	1,550,333
Professional fees	360,079
General and administrative expenses	886,525
Marketing and advertising expenses	221,641
Telecommunication costs	184,663
Depreciation expense	83,413
Tax expense	<u>152,636</u>
	<u>10,407,821</u>
NET INCOME	<u>\$ 8,180,629</u>

The accompanying notes are an integral part of this statement.

Shattuck Hammond Partners LLC

STATEMENT OF CHANGES IN MEMBERS' CAPITAL

Year ended December 31, 2002
(expressed in United States dollars)

Members' capital, beginning of year	\$ 7,000,000
Members' capital contributions	100,000
Members' capital withdrawals	(9,180,629)
Net income	<u>8,180,629</u>
Members' capital, end of year	<u>\$ 6,100,000</u>

The accompanying notes are an integral part of this statement.

Shattuck Hammond Partners LLC

STATEMENT OF CASH FLOWS

Year ended December 31, 2002
(expressed in United States dollars)

Cash flows from operating activities	
Net income	\$ 8,180,629
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	83,413
Changes in operating assets and liabilities	
(Increase) decrease in operating assets	
Investment banking and advisory fees receivable	(49,049)
Other receivables	1,272,093
Other assets	44,222
Increase (decrease) in operating liabilities	
Accounts payable	(112,013)
Accrued expenses	<u>(654,389)</u>
Net cash provided by operating activities	<u>8,764,906</u>
Cash flows from investing activities	
Purchase of furniture and equipment	<u>(64,490)</u>
Net cash used in investing activities	<u>(64,490)</u>
Cash flows from financing activities	
Capital contributions	100,000
Capital withdrawals	<u>(9,180,629)</u>
Net cash used in financing activities	<u>(9,080,629)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(380,213)
Cash and cash equivalents at beginning of year	<u>3,966,753</u>
Cash and cash equivalents at end of year	<u>\$ 3,586,540</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for taxes	<u>\$ 179,665</u>

The accompanying notes are an integral part of this statement.

Shattuck Hammond Partners LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2002
(expressed in United States dollars)

NOTE A - GENERAL BUSINESS

Shattuck Hammond Partners LLC (the "Company") was formed in 2001 as a limited liability company under the laws of the state of Delaware. As such, its members' liability in the Company's obligations and debts shall be limited to the amount of their capital contributions. The Company is registered with the Securities and Exchange Commission (the "SEC") as a broker-dealer and is a member of the National Association of Securities Dealers, Inc. ("NASD") and the Municipal Securities Rulemaking Board ("MSRB").

The Company engages in the investment banking business by providing financial advisory services to institutional customers, advising and arranging capital sourcing, mergers and acquisitions, and providing fairness opinions. Its activities also include the underwriting and placement of municipal securities and privately placing equity and debt securities on behalf of corporations, partnerships, business trusts and limited liability companies on a "firm commitment" or "best efforts" basis with clients located throughout the United States.

NOTE B - SUMMARY OF ACCOUNTING POLICIES

1. *Cash and Cash Equivalents*

Cash and cash equivalents include cash, money market funds and investments in overnight time deposits maintained in financial institutions.

2. *Investment Banking and Advisory Fees Revenue*

Revenue from investment banking and advisory activities is recognized when performance is substantially completed. In connection with these activities, the Company receives retainer fees, generally nonrefundable, for services to be provided. Advisory services fees received in advance of performance are treated as deferred revenue.

3. *Furniture and Equipment*

Depreciation is provided on a straight-line basis using estimated useful lives of three to seven years.

Shattuck Hammond Partners LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2002
(expressed in United States dollars)

NOTE B (continued)

4. Income Taxes

No provision for Federal and state income taxes has been made since the Company is not a taxable entity and the members are individually liable for the taxes on their share of the Company's income or loss. The Company is subject to certain state and local taxes.

5. 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 in determining 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. Actual results could differ from those estimates.

NOTE C - MEMBERS' CAPITAL

The Company's limited liability agreement calls for the Company's profits and losses to be allocated in the manner as stated in the agreement.

NOTE D - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

In the normal course of business, the Company enters into underwriting commitments and other securities transactions as principal and agent. In the event counterparties are unable to fulfill contractual obligations, the Company is exposed to off-balance-sheet risk of loss on unsettled securities transactions.

The Company has established various procedures to manage credit exposure related to its transactions with off-balance-sheet risk, including credit approval and collateral requirements.

The Company is subject to credit risk at December 31, 2002, as substantially all of the cash and cash equivalents are held at one financial institution, The Bank of New York.

Shattuck Hammond Partners LLC

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2002

(expressed in United States dollars)

NOTE E - COMMITMENTS

The Company occupies offices in various locations under operating leases expiring through 2011. Future minimum rental payments required under leases for premises are as follows:

Fiscal year	
2003	\$ 824,000
2004	748,000
2005	681,000
2006	682,000
2007	576,000
Thereafter	<u>1,872,000</u>
	<u>\$5,383,000</u>

Total rental expense for the year was \$1,550,333.

NOTE F - NET CAPITAL REQUIREMENT

As a registered broker-dealer under the Securities Exchange Act of 1934 (the "Act") and member of the NASD and MSRB, the Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 of the Act. The Company is required to maintain minimum net capital, as defined, of 6-2/3% of aggregate indebtedness or \$100,000, whichever is greater. Net capital and aggregate indebtedness change from day to day, but as of December 31, 2002, the Company had net capital of \$1,533,135, which exceeded minimum net capital requirements by \$1,433,135.

SUPPLEMENTARY INFORMATION

Shattuck Hammond Partners LLC

**COMPUTATION OF NET CAPITAL PURSUANT TO
RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**

December 31, 2002

Net capital	
Members' capital	\$6,100,000
Deductions and/or charges:	
Nonallowable assets	
Unsecured time deposits	1,631,941
Investment banking and advisory fees receivable	2,399,449
Furniture and equipment	233,184
Other receivables	1,388
Other assets	<u>260,055</u>
	<u>1,573,983</u>
Net capital before haircuts on securities positions	
Haircuts on securities	
Other securities	<u>40,848</u>
Net capital	1,533,135
Minimum net capital requirement - the greater of 6-2/3% of aggregate indebtedness of \$380,616 or \$100,000	<u>100,000</u>
Excess net capital	<u>\$1,433,135</u>
Ratio of aggregate indebtedness to net capital	<u>0.25 to 1</u>
Schedule of aggregate indebtedness	
Accounts payable	\$ 28,688
Accrued expenses	<u>351,928</u>
	<u>\$ 380,616</u>

No material differences exist between the above computation and the computation included in the Company's corresponding unaudited Form X-17A-5 Part IIA filing, as amended.

Shattuck Hammond Partners LLC

STATEMENT REGARDING RULE 15c3-3

December 31, 2002

The Company is exempt from rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(i) of that rule.

Grant Thornton

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Grant Thornton International
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60 Broad Street
New York, New York 10004
Tel: 212 422-1000
Fax: 212 422-0144
www.grantthornton.com