

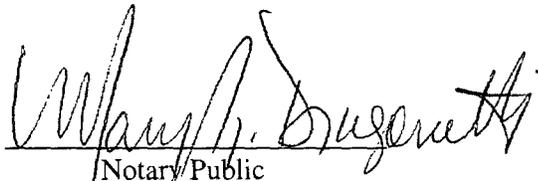


AFFIRMATION

I, Jeffrey M. Chertoff, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to Cantor Fitzgerald Partners as of December 31, 2003 are true and correct. I further affirm that neither the Partnership, nor any partner, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

  
\_\_\_\_\_  
Signature

Chief Financial Officer  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public

**MARY DRAGONETTI**  
Notary Public, State of New York  
No. 014754912  
Qualified in Nassau County  
Commission Expires Jan. 31, 2006

CANTOR FITZGERALD PARTNERS  
(SEC. ID No. 8-29616)

STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2003  
AND  
INDEPENDENT AUDITORS' REPORT  
AND  
SUPPLEMENTAL REPORT ON INTERNAL CONTROL

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Filed in accordance with Rule 17a-5 (e) (3)  
Under the Securities Exchange Act of 1934  
As a PUBLIC DOCUMENT

## INDEPENDENT AUDITORS' REPORT

To the Partners of  
Cantor Fitzgerald Partners:

We have audited the accompanying statement of financial condition of Cantor Fitzgerald Partners (the "Partnership") as of December 31, 2003 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this 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 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, such statement of financial condition presents fairly, in all material respects, the financial position of Cantor Fitzgerald Partners at December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

March 1, 2004

# CANTOR FITZGERALD PARTNERS

## STATEMENT OF FINANCIAL CONDITION

December 31, 2003

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### Assets

Cash	\$ 3,964,635
Investment - unencumbered	2,365,335
Loan receivable from Municipal Partners, LLC	1,000,000
Receivables from affiliates	242,660
Other assets	<u>109,757</u>
Total assets	<u>\$ 7,682,387</u>

### Liabilities and Partners' Capital

Accrued and other liabilities	\$ 446,984
Payables to affiliates	<u>21,228</u>
Total liabilities	<u>468,212</u>
Partners' capital	<u>7,214,175</u>
Total liabilities and partners' capital	<u>\$ 7,682,387</u>

See notes to statement of financial condition.

# CANTOR FITZGERALD PARTNERS

## NOTES TO STATEMENT OF FINANCIAL CONDITION

For the year ended December 31, 2003

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### 1. General and Summary of Significant Accounting Policies

**Basis of Presentation:** Cantor Fitzgerald Partners (the "Partnership") is a general partnership organized under the laws of the State of New York. The Partnership is a registered broker-dealer with the Securities Exchange Commission. The Partnership is owned by Cantor Fitzgerald Securities ("CFS" - 99%) and Cantor Fitzgerald, L.P. ("CFLP" - 1%) (collectively with their subsidiaries, "Cantor"). CFS is the managing general partner.

**Use of Estimates:** The preparation of the statement of financial condition 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, revenues and expenses, and the disclosure of contingent assets and liabilities in the statement of financial condition. Management believes that the estimates utilized in preparing the statement of financial condition are reasonable and prudent. Estimates, by their nature, are based on judgment and available information. As such, actual results could differ materially from the estimates included in this statement of financial condition.

**Commissions Revenue:** Commissions revenue represents the Partnership's share of revenue of an affiliate, Municipal Partners LLC ("LLC"). It is accrued based on the Partnership's estimate of amounts to be received from LLC pursuant to a transition agreement dated January 31, 2002.

**Investment:** The Partnership carries its investment in The NASDAQ Stock Market, Inc. at fair value.

**Income Taxes:** Under applicable federal and state laws, the taxable income or loss of a general partnership is allocated to each partner based upon their ownership interest. Each partner's tax status, in turn, determines the appropriate income tax for its allocated share of taxable income or loss. However, the Partnership is subject to the Unincorporated Business Tax in the City of New York for which it records an income tax provision.

### 2. September 11 Events

On September 11, 2001, the Partnership's principal place of business at One World Trade Center was destroyed, and as a result, the Partnership lost 96 of its 120 employees. Cantor and eSpeed Inc. ("eSpeed"), a majority owned subsidiary of CFS, lost in the aggregate 658 employees (the "September 11 Events").

As a result of the September 11 Events, the Partnership's business of providing brokerage services in corporate and other debt securities was suspended and has not resumed as of December 31, 2003.

CFLP intends to continue to distribute 25% of its profits until 2006, that would otherwise be distributable to its partners, for the benefit of the families of the Partnership's employees who were lost on September 11, 2001. From such distributions, CFLP will provide 10 years of healthcare benefits to the families.

### 3. Municipal Partners

In July 2000, the Partnership purchased the U.S. Municipal bond brokerage business and certain other assets of Municipal Partners Inc. ("MPI"). The Partnership recorded goodwill of \$1,787,500 relating to this acquisition.

On January 30, 2002, the Partnership sold its municipal bond brokerage business, including assets associated with the MPI acquisition, to LLC, a company organized by former employees of the Partnership in exchange for, among other things, a special membership interest in the LLC. In addition, the Partnership loaned \$1,000,000 to the LLC, bearing interest at 6%, which is due upon maturation of the loan in 2007. The Partnership suspended accruing interest on the loan receivable due to the arbitration discussed below.

On October 8, 2002, the LLC commenced an arbitration against the Partnership seeking a declaratory judgment that the various agreements entered by the parties are null and void. The LLC also seeks an award of money damages for alleged breaches under the agreements. On October 30, 2002, eSpeed, Inc. ("eSpeed") filed suit against the LLC in New York State Supreme Court seeking, among other things, an award of monies owed for ancillary information technology support provided to the LLC. Also, by Order to Show Cause, the Partnership and eSpeed sought a stay of the arbitration, pending the outcome of the state court action. The LLC opposed the petition and cross-moved to compel the arbitration. In a decision issued on April 11, 2003, the Court granted the LLC's motion to compel the arbitration, and denied the Partnership's petition to stay. In March 2003, the parties participated in a non-binding mediation session and since that time have continued to informally work towards a resolution of this dispute.

During the year ended December 31, 2003, management deemed the goodwill related to the MPI acquisition impaired and wrote off the balance of \$1,787,500.

### 4. Related Party Transactions

CFS and CFLP provide the Partnership with administrative services and other support for which they charge the Partnership based on the cost of providing such services. Such support includes allocations for occupancy of office space, utilization of fixed assets and accounting services. In addition, under a Joint Services Agreement between the Partnership and eSpeed, eSpeed provides network, data center and server administration support and other technology services to the Partnership. eSpeed charges the Partnership for these services commensurate with the cost of providing these services.

Under a contract between the Partnership and Cantor Fitzgerald & Co. ("CFCO"), CFCO performs clearance and settlement services for the Partnership's corporate and other debt securities business. Under the contract, the Partnership pays CFCO 10% of the associated commission revenues for the services.

### 5. Commitments and Contingencies

**Legal Matters:** In the ordinary course of business, various legal actions are brought and are pending against the Partnership, some of which substantial amounts are claimed. In the opinion of the Partnership's management, based on the advice received from counsel, these matters are expected to be resolved with no material adverse effect on the Partnership's financial condition.

## **6. Employee Benefit Plans**

Employees of the Partnership are eligible to participate in the eSpeed, Inc. Deferral Plan for Employees of Cantor Fitzgerald, L.P. and its Affiliates (the "Plan"), whereby eligible employees may elect to defer a portion of their salary by directing the Partnership to contribute withheld amounts to the Plan. The Plan is available to all employees of the Partnership meeting certain eligibility requirements and is subject to the provisions of the Employee Retirement Income Security Act of 1974. The Partnership's portion of the expenses associated with the administration of the Plan are currently paid by CFLP at its option.

## **7. Regulatory Capital Requirements**

As a registered broker-dealer, the Partnership is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003, the Partnership had net capital of \$3,496,424, which was \$3,396,424 in excess of its required net capital, and the Partnership's net capital ratio was .13 to 1.

## **8. Counterparty Credit Risk**

Credit risk arises from the possibility that a counterparty to a transaction might fail to perform according to the terms of the contract, which could result in the Partnership incurring losses. As a securities broker-dealer, the Partnership is engaged in various brokerage activities, servicing a diverse group of domestic and foreign corporations, governments and institutional and individual investors. A substantial portion of the Partnership's transactions are fully collateralized and are executed with, and on behalf of, institutional investors including major brokers and dealers, money center and other commercial banks, insurance companies, pension plans and other financial institutions. The Partnership's exposure to the risk of incurring losses associated with the nonperformance of these counterparties in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair the counterparties' ability to satisfy their obligations to the Partnership. The Partnership monitors counterparty activity daily and does not anticipate nonperformance by counterparties. The Partnership has a policy of periodically reviewing the credit standing of each counterparty with which it conducts business.

## **9. Fair Value of Financial Instruments**

Substantially all of the Partnership's financial instruments are carried at fair value or amounts which approximate fair value. The Partnership's remaining financial instruments are generally short-term in nature and liquidate at their carrying value.

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March 1, 2004

Cantor Fitzgerald Partners  
135 East 57<sup>th</sup> Street  
New York, New York 10022

Dear Sirs:

In planning and performing our audit of the financial statements of Cantor Fitzgerald Partners (the "Partnership") for the year ended December 31, 2003 (on which we issued our report dated March 1, 2004), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Partnership's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Partnership that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule-17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Partnership in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Partnership does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Partnership 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 internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") 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 Partnership has responsibility are safeguarded against loss from unauthorized acquisition, 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 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 any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Partnership's internal control would not necessarily disclose all matters in the Partnership's 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 the Partnership's internal control and its operation (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 Commission 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 Partnership's practices and procedures were adequate at December 31, 2003, to meet the Commission's objectives.

This report is intended solely for the information and use of management, the Securities and Exchange Commission, 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.

Yours truly,

*Deloitte & Touche LLP*