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

SEC FILE NUMBER
8- 50551

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 2/1/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
Nighthawk Partners, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

473 Sylvan Avenue  
(No. and Street)

Englewood Cliffs NJ 07632  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Jonathan Berg 201-567-4700  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Flynn, Horlacher & Parker  
(Name - if individual, state last, first, middle name)

301 Oxford Valley Road, Suite 602, Yardley PA 19067  
(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 23 2004**

<b>FOR OFFICIAL USE ONLY</b>
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)

*[Handwritten signature]*

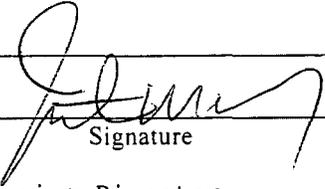
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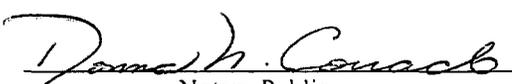
OATH OR AFFIRMATION

I, Jonathan Berg, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Nighthawk Partners, Inc., as of December 31, 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:

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

**DONNA M. CORRADO**  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires July 26, 2007

  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Managing Director  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
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.
- (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.
- (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).

**NIGHTHAWK PARTNERS, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**FOR THE SHORT YEAR (ELEVEN MONTHS) ENDED  
DECEMBER 31, 2003**

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# FLYNN, HORLACHER & PARKER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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SUITE 602  
YARDLEY, PENNSYLVANIA 19067

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New Jersey, Pennsylvania

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Nighthawk Partners, Inc.

We have audited the accompanying statement of financial condition of Nighthawk Partners, Inc. (an "S" Corporation) as of December 31, 2003, and the related statements of income and changes in stockholder's equity and cash flows for the short year (eleven months) 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.

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 Nighthawk Partners, Inc. as of December 31, 2003, and the results of its operations and its cash flows for the short year (eleven months) 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 statement of computation of net capital 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 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.

*Flynn, Horlacher & Parker, P.C.*

February 10, 2004

**NIGHTHAWK PARTNERS, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2003**

**Assets**

Cash (Note 3)	\$1,295,674
Accounts Receivable, Less Allowance for Doubtful Accounts of \$0	2,500,000
Prepaid Expenses	56,903
Property and Equipment, at cost Less Accumulated Depreciation of \$21,932 (Note 4)	32,763
Other Assets	<u>62,393</u>
	<u>\$3,947,733</u>

The accompanying notes are an integral part of these financial statements.

**NIGHTHAWK PARTNERS, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2003**

**Liabilities and Stockholder's Equity**

Liabilities:

Accounts Payable and Accrued Expenses	\$ 111,582
Due to Stockholder	<u>12,868</u>
	<u>124,450</u>

Commitments and Contingent Liabilities (Notes 5, 6 & 7) -

Stockholder's Equity:

Common Stock (No Par Value, 2,500 Shares Authorized, and 350 Shares Outstanding)	47,797
Retained Earnings	<u>3,775,486</u>

Total Stockholder's Equity 3,823,283

\$3,947,733

The accompanying notes are an integral part of these financial statements.

**NIGHTHAWK PARTNERS, INC.**  
**STATEMENT OF INCOME**  
**For the Short Year (Eleven Months) Ended December 31, 2003**

<u>REVENUES</u>	<u>\$16,265,227</u>
<u>OPERATING EXPENSES</u>	
Compensation and Benefits	2,544,657
Occupancy and Equipment Rentals	49,620
Other Operating Expenses	<u>690,262</u>
TOTAL OPERATING EXPENSES	<u>3,284,539</u>
<u>INCOME FROM OPERATIONS</u>	<u>12,981,688</u>
<u>OTHER INCOME</u>	<u>8,440</u>
<u>INCOME BEFORE INCOME TAXES</u>	12,990,128
<u>INCOME TAX PROVISION (Note 2)</u>	<u>-</u>
<u>NET INCOME</u>	<u>\$12,990,128</u>

The accompanying notes are an integral part of these financial statements.

**NIGHTHAWK PARTNERS, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**For the Year Short (Eleven Months) Ended December 31, 2003**

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, February 1, 2003	\$47,797	\$ 285,358	\$ 333,155
Net Income for Short Year	-	12,990,128	12,990,128
Dividends Paid	<u>-</u>	<u>(9,500,000)</u>	<u>(9,500,000)</u>
Balance, December 31, 2003	<u>\$47,797</u>	<u>\$ 3,775,486</u>	<u>\$ 3,823,283</u>

The accompanying notes are an integral part of these financial statements.

**NIGHTHAWK PARTNERS, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Short Year (Eleven Months) Ended December 31, 2003**

<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 15,675,227
Cash Paid to Suppliers and Employees	(5,271,178)
Dividend Income Received	8,440
Interest Expense Paid	-
Income Taxes (Paid) Refunded	<u>2,422</u>
Net Cash Provided by (Used in) Operating Activities	<u>10,414,911</u>
<u>Cash Flows from Investing Activities:</u>	
Equipment Purchases	<u>(24,809)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(24,809)</u>
<u>Cash Flows from Financing Activities:</u>	
Reduction – Stockholder Loan	(173)
Dividends Paid	<u>(9,500,000)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(9,500,173)</u>
Net Increase (Decrease) in Cash	<u>889,929</u>
Cash – Beginning	<u>405,745</u>
Cash – Ending	<u>\$ 1,295,674</u>
<u>Reconciliation of Net Income to Net Cash</u> <u>Provided by Operating Activities</u>	
Net Income	\$ 12,990,128
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	5,981
Decrease (Increase) in Accounts Receivable	(590,000)
Decrease (Increase) in Prepaid Expenses	(53,395)
Decrease (Increase) in Other Assets	(17,548)
Increase (Decrease) in Accounts Payable and Accrued Expenses	<u>(1,920,255)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 10,414,911</u>

The accompanying notes are an integral part of these financial statements.

**NIGHTHAWK PARTNERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2003**

**Note 1 – Organization and Nature of Business**

Nighthawk Partners, Inc. (“Company”) was incorporated under the laws of the State of New Jersey on January 23, 1997. The Company provides marketing services to hedge fund managers and also arranges private placements of debt and equity securities and private placements of loans. The Company is a broker-dealer registered with the National Association of Securities Dealers (NASD) and is an introducing broker registered with the National Futures Association (NFA). The regulator for the NASD is the Securities and Exchange Commission (SEC), and the regulator for the NFA is the Commodity Futures Trading Commission (CFTC).

Effective February 1, 2003, the Company became an “S-Corporation,” as defined by the federal and state tax codes. As a result, the Company’s year end was changed from January 31<sup>st</sup> to December 31<sup>st</sup>. Therefore, these financial statements are for the short year (eleven months) ended December 31, 2003.

**Note 2 – Summary of Significant Accounting Policies**

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 amounts reported in the financial statements and accompanying notes. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to operating expenses. Additions to property and equipment or expenditures, which increase the useful lives of the assets are capitalized. Depreciation is being provided primarily by the straight-line method over the estimated useful lives of the assets.

**NIGHTHAWK PARTNERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2003**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes

The Company's stockholder elected during 2003 under the Internal Revenue Code and New Jersey state law to be taxed as an S corporation. In lieu of corporate income taxes, the stockholder is taxed on his proportionate share of the Company's net income. Accordingly, no provision or liability for income taxes has been made in the accompanying financial statements. This election resulted in the Company now having a December 31<sup>st</sup> year end.

Revenue Recognition

Consulting revenue is recorded when earned. Incentive revenue is recorded at such time that it can be determined by the Company to be a bona fide receivable.

**Note 3 - Cash**

Cash consists of the following:

Bank Checking Account	\$ -
Prime Obligation Money Market Account	1,138,984
Vanguard Money Market Account	<u>156,690</u>
	<u>\$1,295,674</u>

The Company maintains its cash accounts at various financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2003, the Company had cash on deposit not covered by FDIC insurance of approximately \$1,195,674.

**NIGHTHAWK PARTNERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2003**

**Note 4 – Property and Equipment**

The following is a summary of property and equipment.

	<u>Estimated Useful Lives in Years</u>	
Furniture and Fixtures	5	\$15,860
Machinery and Equipment	5	<u>38,835</u>
		54,695
Less: Accumulated Depreciation		<u>21,932</u>
TOTAL		<u>\$32,763</u>

Depreciation expense was \$5,981 for the short year ended December 31, 2003.

**Note 5 - Leases**

The Company leases office space and two vehicles under separate noncancelable operating leases. The leases expire in various periods through October 2005. The following is a schedule of future minimum lease payments required under the above noncancelable operating leases:

Year Ending December 31,	
2004	\$56,091
2005	37,647
2006	-
2007	-
2008	-
Thereafter	-
	<u>\$93,738</u>

Net lease expense charged to operations for the short year was \$47,635

**Note 6 – Pension Plan**

Effective February 1, 2002, the Company adopted a qualified noncontributory defined benefit pension plan covering substantially all employees. The benefits are based on minimum age and service requirements. The Company's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

**NIGHTHAWK PARTNERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2003**

**Note 6 – Pension Plan (Continued)**

The following table sets forth the plan's funded status and amounts recognized in the Company's financial statements:

Benefit obligation at December 31, 2003	\$(713,319)
Fair value of plan assets at December 31, 2003	<u>727,649</u>
Funded status at December 31, 2003	<u>\$ 14,330</u>
Prepaid (accrued) pension cost recognized in the balance sheet at December 31, 2003 – other asset	<u>\$ 59,193</u>

Short Year Ended  
December 31, 2003

Net periodic pension cost included the following components:

Service cost – benefits earned during the period	\$228,660
Interest cost on projected benefit obligation	37,739
Return on plan assets	(27,113)
Net amortization and deferral	<u>0</u>
Net periodic pension cost	<u>\$239,286</u>
Employer contributions	\$256,834
Plan participants' contributions	0
Benefits paid	0

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 6.0% and 0%, respectively. The expected long-term rate of return on assets was 7.50%.

Actuarial computations under Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions, are for purposes of fulfilling employer accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported above.

**NIGHTHAWK PARTNERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2003**

**Note 7 – Net Capital Requirements**

The Company is subject to the SEC 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. The Company is also subject to the NASD and NFA minimum financial requirements which require that the Company maintain a minimum net capital. This amount is defined by NASD and NFA as the greater of 6.67% of aggregate indebtedness or \$30,000. At December 31, 2003, the Company had net capital of \$1,145,311, which was \$1,115,311 in excess of its required net capital, for NASD and NFA. The Company's net capital ratio was .11 to 1.

**SUPPLEMENTARY INFORMATION**

**NIGHTHAWK PARTNERS, INC.**

**Computation of Net Capital Under Rule 15c3-1 of the  
Securities and Exchange Commission**

**As of December 31, 2003**

**Net Capital**

Total Stockholder's Equity		\$3,823,283
Add:		
Other (Deductions) or Allowable Credits-Liabilities Effectively Subordinated to General Creditors by Non-Customers.		<u>-</u>
Total Capital and Allowable Subordinated Borrowings		<u>\$3,823,283</u>
Deductions and/or Charges:		
Nonallowable Assets:		
Accounts Receivable	\$(2,500,000)	
Prepaid Expenses	(56,903)	
Fixed Assets (Net)	(32,763)	
Other Assets	<u>(62,393)</u>	
		<u>(2,652,059)</u>
Net Capital Before Haircuts on Securities Positions		1,171,224
Haircuts on Securities:		
Money Market		<u>(25,913)</u>
Net Capital		<u>\$ 1,145,311</u>
<b>Aggregate Indebtedness</b>		
Items Included in Statement of Financial Condition:		
Due to Officers		\$ 12,868
Accrued Expenses		110,069
Payroll Taxes Withheld		<u>1,513</u>
Total Aggregate Indebtedness		<u>\$124,450</u>

**NIGHTHAWK PARTNERS, INC.**

**Computation of Net Capital Under Rule 15c3-1 of the  
Securities and Exchange Commission**

**As of December 31, 2003**

**Computations of Basic Net Capital Requirements**

Minimum Net Capital Required	<u>\$ 30,000</u>
Excess Net Capital at 1,500 Percent	<u>\$1,115,311</u>
Excess Net Capital at 1,000 Percent	<u>\$1,132,866</u>
Ratio Aggregate Indebtedness to Net Capital	<u>.11 to 1</u>

**Reconciliation with Company's Computation**

Net Capital, as Reported in Company's (Unaudited) FOCUS Report	\$1,145,311
Audit Adjustment	<u>          -</u>
Net Capital, Per Above	<u>\$1,145,311</u>

NIGHTHAWK PARTNERS, INC.  
REPORT ON INTERNAL CONTROL  
FOR  
NATIONAL ASSOCIATION OF SECURITIES DEALERS  
FOR THE SHORT YEAR (ELEVEN MONTHS) ENDED  
December 31, 2003

# FLYNN, HORLACHER & PARKER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

301 OXFORD VALLEY ROAD  
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Board of Directors  
Nighthawk Partners, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Nighthawk Partners, Inc. (the "Company") for the short year (eleven months) ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities and firm assets, 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 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 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 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 judgements 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 generally accepted accounting principles. 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, 2003, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the National Association of Securities Dealers (NASD), 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 should not be used for any other purpose.

*Flynn, Horlacher & Parker, P.C.*

Flynn, Horlacher & Parker, P.C.  
Yardley, Pennsylvania  
February 10, 2004