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UNITES  
NGE COMMISSION  
Washington, D.C. 20549

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

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

SEC FILE NUMBER  
8-52690

**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 01/01/2003 AND ENDING 12/31/2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Technology Capital Management, LLC

OFFICIAL USE ONLY  
104231  
FIRM I.D. NO.

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

1240 Blalock, Suite 200

(No. and Street)

Houston

Texas

77055

(City)

(State)

(Zip Code)

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

Melinda G. LeGaye

(281) 367-0380

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Pannell, Kerr, Forster of Texas

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

5847 San Felipe St. Suite 2400

Houston

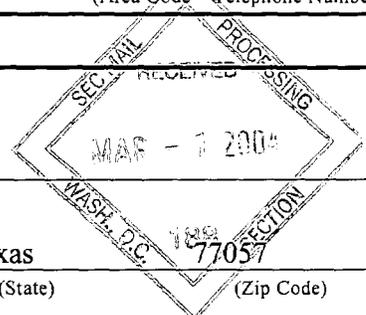
Texas

(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 25 2004**

**FOR OFFICIAL USE ONLY**  
THOMSON FINANCIAL

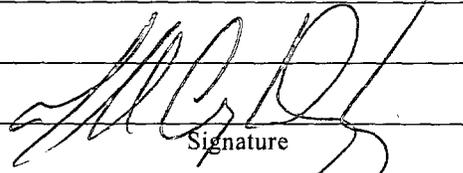
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

pp 3-23

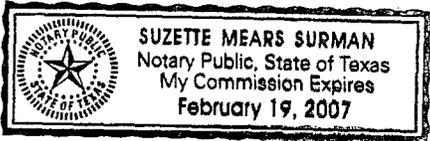
OATH OR AFFIRMATION

I, Melinda G. 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 Technology Capital Management, LLC, 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:

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

  
Signature  
Melinda G. LeGaye FINOP  
Title

Suzette Mears Surman  
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. **See Note 8**
- (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. **See Note 9**
- (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. **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).

**TECHNOLOGY CAPITAL MANAGEMENT, LLC**

**Financial Statements and Supplementary  
Information Required By SEC Rule 17a-5**

**December 31, 2003**

TECHNOLOGY CAPITAL MANAGEMENT, LLC

December 31, 2003

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Professional Advisors  
5847 San Felipe, Suite 2400  
Houston, Texas 77057  
Phone: (713) 860-1400  
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## INDEPENDENT AUDITORS' REPORT

To the Member of  
Technology Capital Management, LLC

We have audited the accompanying statement of financial condition of Technology Capital Management, LLC as of December 31, 2003, and the related statements of operations, changes in member's equity, and cash flows for the year 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 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 Technology Capital Management, LLC as of December 31, 2003, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I 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 and Exchange Commission. 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.

*Pannell Kerr Forster & Texas P.C.*

February 6, 2004



Member of Pannell Kerr Forster, a worldwide  
alliance of independent accounting firms.

## TECHNOLOGY CAPITAL MANAGEMENT, LLC

## Statement of Financial Condition

December 31, 2003

**Assets**

Cash and cash equivalents	\$11,590
Certificate of deposit	<u>11,301</u>
Total current assets	<u>22,891</u>
Note receivable - related party	<u>4,160</u>
Total assets	<u>\$27,051</u>

**Liabilities and Member's Equity**

Accrued expenses	<u>\$ 8,000</u>
Total current liabilities	<u>8,000</u>
Commitments and contingencies	
Member's equity	<u>19,051</u>
Total liabilities and member's equity	<u>\$27,051</u>

*See accompanying notes to financial statements.*

## TECHNOLOGY CAPITAL MANAGEMENT, LLC

## Statement of Operations

Year Ended December 31, 2003

Revenues	
Private placements	\$ 9,000
Interest income	<u>870</u>
Total revenues	<u>9,870</u>
Expenses	
Service fee - related party	5,252
Regulatory fees and expenses	3,679
Consulting fees	8,962
Commission fees	5,400
Other expenses	<u>8,543</u>
Total expenses	<u>31,836</u>
Net loss	<u>\$ (21,966)</u>

*See accompanying notes to financial statements.*

## TECHNOLOGY CAPITAL MANAGEMENT, LLC

## Statement of Changes in Member's Equity

Year Ended December 31, 2003

	<u>Total Member's Equity</u>
Balance at December 31, 2002	\$ 37,417
Services contributed by member	3,600
Net loss	<u>(21,966)</u>
Balance at December 31, 2003	<u>\$ 19,051</u>

*See accompanying notes to financial statements.*

## TECHNOLOGY CAPITAL MANAGEMENT, LLC

## Statement of Cash Flows

Year Ended December 31, 2003

Cash flows from operating activities	
Net loss	\$ (21,966)
Adjustments to reconcile net loss to net cash used in operating activities	
Services contributed by member	3,600
Changes in operating assets and liabilities	
Decrease in accounts payable - trade	(2,500)
Increase in accrued liabilities	<u>8,000</u>
Net cash used in operating activities	<u>(12,866)</u>
Cash flows from investing activities	
Increase in certificate of deposit	(186)
Decrease in note receivable - related party	<u>23,550</u>
Net cash provided by investing activities	<u>23,364</u>
Increase in cash	<u>10,498</u>
Cash and cash equivalents - beginning of year	<u>1,092</u>
Cash and cash equivalents - end of year	<u>\$ 11,590</u>

*See accompanying notes to financial statements.*

## TECHNOLOGY CAPITAL MANAGEMENT, LLC

## Notes to Financial Statements

December 31, 2003

**Note 1 - General Information and Summary of Significant Accounting Policies**

Technology Capital Management, LLC (the "Company") was formed on April 4, 2000 as a Texas Limited Liability Company and its member has personal limited liability for the obligations or debts of the entity. The Company is a fully disclosed broker-dealer in securities under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers.

Cash and cash equivalents

The Company considers all short-term highly liquid investments which are readily convertible into cash and which have maturities as of the date of purchase of three months or less to be cash equivalents.

Private placement revenues

Private placement revenues include fees arising from the placement of debt and equity securities of corporations and other entities and are recognized as earned.

Income taxes

The Company is not recognized as a taxable entity for Federal income tax purposes and, thus, no income tax expense has been recorded in the financial statements. Taxable income of the Company is reported on the member's individual tax return.

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 that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses at the date of the financial statements. Actual results could differ from those estimates.

**Note 2 - Consulting Agreement**

During July 2000, the Company entered into a consulting services agreement with MGL Consulting Corporation to provide various record keeping and NASD compliance services for a fixed fee of \$750 per month. Total consulting fees paid were \$8,962 for the year ended December 31, 2003.

**Note 3 - Commission Agreement**

During March 2003, the Company entered into an agreement with a related party to assist in (i) structuring private placements of debt or equity securities, (ii) acting as a financial advisor regarding the financing of companies, (iii) reviewing business plans and (iv) screening and selecting prospective private investors. As compensation for services, the Company shall pay a commission to the related party of up to 60% of the placement fee funds received. Total commissions paid during the year ended December 31, 2003 were \$5,400.

## TECHNOLOGY CAPITAL MANAGEMENT, LLC

## Notes to Financial Statements

December 31, 2003

**Note 4 - Management Services Agreement**

Effective January 1, 2002, the Company and its member entered a management services agreement in which the member agrees to pay all overhead expenses of the Company. The Company pays the member a monthly service fee equal to 70% of the monthly adjusted net operating income, which excludes the service fee. In the event that the service fee causes the Company's net capital to fall below \$7,500, then the service fee shall be reduced on a dollar-for-dollar basis by any amount necessary to allow the Company to maintain capital equal to \$7,500. The amount of the reduction shall be permanently waived and will not be recoupable by the member in subsequent months. The management services agreement renews automatically in one-year terms unless terminated by either party with 30 days notice prior to the anniversary date of the agreement.

Effective December 1, 2003, the Company amended this agreement to provide for an Incremental Allocation Services fee of \$3,600 per month and a Proportional Allocation Services fee equal to 85% of the monthly adjusted net operating income, which excludes the service fee. The monthly Incremental Allocation Services fee can be waived by the member upon notification to the Company. The payment of the monthly fee of \$3,600 for December 2003 was waived by the member and was recorded as a contribution to capital by the member. In the event that the fees cause the Company's net capital to fall below \$10,000, then the service fees shall be reduced on a dollar-for-dollar basis by any amount necessary to allow the Company to maintain capital equal to \$10,000. The amount of the reduction will be permanently waived and will not be recouped by the member in future months. Accordingly, under the terms of these agreements, the Company incurred \$5,252 of service fees expense for the year ended December 31, 2003.

**Note 5 - Related Party**

Included in notes receivable - related party at December 31, 2003 is \$4,160 due from the member of the Company.

Private placement revenues include \$9,000 of fees earned from corporations related through common ownership with the Company.

**Note 6 - Net Capital Requirements**

In accordance with Rule 15c3-1 of the Securities and Exchange Commission ("SEC"), the Company's aggregate indebtedness, as defined, shall not exceed 15 times its net capital. The Company must also maintain minimum net capital, subject to the requirements of a fully disclosed broker-dealer. The Company's net capital, as defined, of \$14,776 exceeded the required minimum by \$9,776 as of December 31, 2003, and its ratio of aggregate indebtedness to net capital was 0.54 to 1.0.

**Note 7 - Employee Benefit Plan**

The Company, along with affiliated companies, has adopted a SIMPLE IRA plan for the benefit of its employees effective March 31, 2001. The Company may match up to 3% of eligible employee's contributions. The Company did not incur any expense for matching contributions in the year ended December 31, 2003.

## TECHNOLOGY CAPITAL MANAGEMENT, LLC

## Notes to Financial Statements

December 31, 2003

**Note 8 - Subordinated Liabilities**

There were no liabilities subordinated to claims of general creditors at any time during the year.

**Note 9 - Omission of Certain Reports**

A computation for determination of reserve requirements pursuant to rule 15c3-3 as specified by rule 17a-5(d)(3) and information relating to possession or control of securities as specified by rule 15c3-3 and rule 17a-5(d)(3) were both omitted and are not required as the Company operates pursuant to the exemptive provisions of SEC Rule 15c3-3(k)(2)(i). The Company does not hold customer funds or securities.

The Securities Investor Protection Corporation ("SIPC") supplemental report specified by rule 17a-5(e)(4) is omitted since the SIPC has suspended assessments based on net operating revenue.

**SUPPLEMENTARY INFORMATION  
PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

SCHEDULE I  
NET CAPITAL COMPUTATION  
AS REQUIRED BY EXCHANGE ACT RULE 15c3-1  
FOR  
TECHNOLOGY CAPITAL MANAGEMENT, LLC

Year Ended December 31, 2003

Net capital requirement, the greater of: 1/15 of aggregate indebtedness minimum dollar requirement	533 <u>5,000</u>	\$ 5,000
Net capital		<u>14,776</u>
<b>Excess (Deficiency) Net Capital</b>		<b><u>\$ 9,776</u></b>
Aggregate indebtedness		8,000
Excess net capital @ 1,500% (net capital, less minimum net capital requirement)		9,776
Excess net capital @ 1,000% (net capital, less 10% aggregate indebtedness)		13,976
Ratio of aggregate indebtedness to net capital		.54 to 1.0
Ratio of subordinated indebtedness to debt/equity total		N/A
120% of required net capital		6,000
Net capital in excess of 120% of required net capital		8,776
<hr/>		
Total assets		\$ 27,051
Less - total liabilities		<u>8,000</u>
Net worth		19,051
Deductions from and/or charges to net worth		
Total non-allowable assets	4,275	
Other deductions or charges	<u>-</u>	
Total deductions from net worth		<u>4,275</u>
Net capital before haircuts on securities positions		14,776
Haircuts on securities	-	
Certificates of deposit and commercial paper	-	
U.S. and Canadian government obligations	-	
State and municipal government and obligations	-	
Corporate obligations	-	
Stock and warrants	-	
Options	-	
Arbitrage	-	
Other securities	-	
Undue concentration	<u>-</u>	
Total haircuts of securities		<u>-</u>
Net capital *		<b><u>\$ 14,776</u></b>

\* There are no material differences in the above calculation of net capital and the unaudited focus report.

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL REQUIRED BY  
RULE 17a-5  
OF SECURITIES EXCHANGE ACT OF 1934**

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*Professional Advisors  
5847 San Felipe, Suite 2400  
Houston, Texas 77057  
Phone: (713) 860-1400  
Fax: (713) 355-3909  
www.pkfte.xas.com*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED  
By RULE 17A-5 of the SECURITIES AND EXCHANGE COMMISSION**

To the Member of  
Technology Capital Management, LLC

In planning and performing our audit of the financial statements and supplementary schedule of Technology Capital Management, LLC (the "Company"), for the year ended December 31, 2003, 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 the internal control structure.

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 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, 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 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 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 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 the design and operation may deteriorate.



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alliance of independent accounting firms.*

Our consideration of the 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 errors 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 and 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 information and use of the member, management, and the SEC, the New York Stock Exchange, 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.

*Pannell Kerr Forster & Timos P.C.*

February 6, 2004