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SEC FILE NUMBER

8 - 46369

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

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 JANUARY 1, 2003 AND ENDING DECEMBER 31, 2003A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY

S G I, LLC

FIRM ID. NO.

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

111 BROADWAY-12TH FLOOR

NEW YORK

NEW YORK

10006

(City)

(State)

(Zip Code)

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

WALTER SCHUBERT, Member

(212) 349-6100

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

LERNER & SIPKIN, CPAs, LLP

132 Nassau Street, Suite 1023

New York

NY

10038

☒ Certified Public AccountantFOR OFFICIAL USE ONLY

PROCESSED

MAR 25 2004

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).

SEC 1410 (3-91)

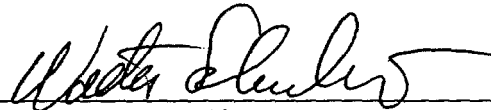
KJ
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OATH OR AFFIRMATION

I, **WALTER SCHUBERT**, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of **S G I, LLC**, as of **DECEMBER 31, 2003**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, member, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

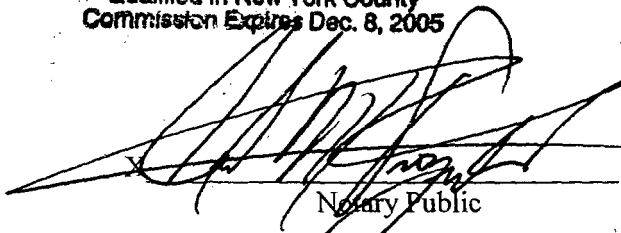
NONE

CARL MARTIN OSTERGAARD JR.
Notary Public, State of New York
NO 01086000119
Qualified in New York County
Commission Expires Dec. 8, 2005

X 
Signature

CEO

Title


Notary Public

This report** contains (check all applicable boxes):

- ☒ (x) (a) Facing page.
- ☒ (x) (b) Statement of Financial Condition.
- ☒ (x) (c) Statement of Income (Loss).
- ☒ (x) (d) Statement of Cash Flows.
- ☒ (x) (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (x) (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (x) (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.
- ☒ (x) (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.
- ☒ (x) (o) Independent Auditors' Report.

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

NAME OF ORGANIZATION: SGI, LLC

ADDRESS: 111 Broadway - 12th Floor, New York, NY 10006

DATE: DECEMBER 31, 2003

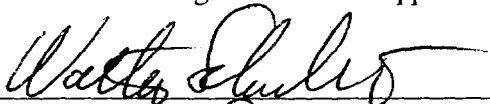
NEW YORK STOCK EXCHANGE, INC.
20 BROAD STREET - 23rd Floor
NEW YORK, N.Y. 10005

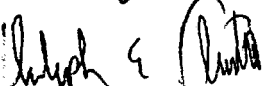
Att: Member Firms Department

Gentlemen:

WE, THE UNDERSIGNED members or allied members of *SGI, LLC* caused an audit to be made in accordance with the prescribed regulations and have arranged for the prescribed financial report based upon such audit.

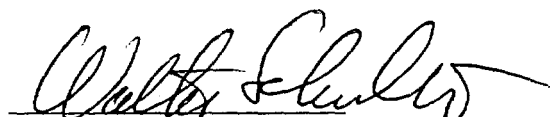
We hereby certify that, to the best of our knowledge and belief, the accompanying financial report prepared as of **DECEMBER 31, 2003** represents a true and correct financial statement of our organization and that the report will promptly be made available to those members and allied members whose signatures do not appear below.



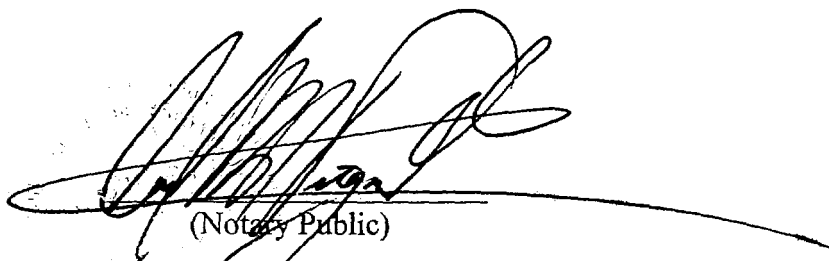


I, **WALTER SCHUBERT**, swear that to the best of my knowledge and belief, the accompanying financial statements and supporting schedule(s) pertaining to the Firm of **S G I, LLC**, as of **DECEMBER 31, 2003**, are true and correct. I further swear that neither the Company nor any partner, proprietor, principal officer, director or member has any proprietary interest in any account classified solely as that of customer, except as follows:

No Exceptions


(Signature)

CEO
(Title)


(Notary Public)

CARL MARTIN OSTROWSKI
Notary Public, State of New York
No. 01056000113
Qualified in New York County
Commission Expires Dec. 8, 2005

SGI, LLC
STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2003



SGI, LLC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2003

ASSETS

Cash and cash equivalents (Note 2)	\$ 9,129
Due from broker	123,380
Commissions receivable	229,225
Equipment and leasehold improvements - net of accumulated depreciation and amortization of \$93,450	6,031
Other assets	<u>91,900</u>
Total assets	<u>\$ 459,665</u>

LIABILITIES AND CAPITAL

Liabilities	\$ 174,245
Accounts payable and accrued expenses	<u>33,912</u>
Loan payable (Note 5)	<u>208,157</u>
Total liabilities	
Commitments and Contingencies (Notes 6 and 7)	
Capital (Note 8)	<u>251,508</u>
Total liabilities and capital	<u>\$ 459,665</u>

The accompanying notes are an integral part of this statement.

SGI, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

Note 1- Nature of Business

SGI, LLC, a Limited Liability Company ("The Company") is registered as a broker-dealer with the Securities and Exchange Commission (the "SEC") for the purpose of conducting business on the floor of the New York Stock Exchange. Operations include the execution of transactions for nonmember organizations by means of a direct access phone system.

Note 2- Summary of Significant Accounting Policies

a) Revenue Recognition

Securities transactions (and the recognition of related income and expenses) are recorded on a trade date basis. Commission income and related expense are recorded on a settlement date basis. There is no material difference between settlement date and trade date.

b) Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers demand deposited money market funds to be cash and cash equivalents. The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

c) Equipment

Equipment is carried at cost and is depreciated over a useful life of 5-7 years using the straight-line method. Leasehold improvements are amortized over the remaining term of the lease.

d) Income Taxes

Income taxes are not payable by, or provided for, the Company. Members are taxed individually on their share of Company earnings for federal and state income tax purposes. The accompanying financial statements have been adjusted to provide for unincorporated business tax based upon Company income. Included in other expenses is \$14,987 for such tax.

e) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses.

Note 3- Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements, at cost, consist of the following:

Furniture, fixtures and office equipment	\$ 87,794
Computer equipment	<u>11,687</u>
	99,481
Accumulated depreciation and amortization	<u>93,450</u>
	<u>\$ 6,031</u>

SGI, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

Note 4- Profit Sharing Plan

The Company is a sponsor of a defined contribution profit sharing plan for its eligible employees. Contributions to the plan, if any, are determined by the employer and come out of its current accumulated profits.

The employer's contribution for any fiscal year shall not exceed the maximum allowable as a deduction to the employer under the provisions of the IRS Code Section 404, as amended, or replaced from time to time. For the year ended December 31, 2003 there were no contributions to the plan.

Note 5 - Loan Payable

The Company has a loan with PNC Bank in the amount of \$33,912, expiring in November, 2008. The interest rate for the loan is 8.75%. Borrowings are collateralized by all of the Company's assets.

The aggregate amount of principal payments on long-term debt during the years following December 31, 2003 are as follows:

2004	\$ 6,927
2005	6,927
2006	6,927
2007	6,927
2008	6,204

Note 6 - Commitments

Seat Lease

The Company leases two seats on the New York Stock Exchange, Inc. One lease, expires in July 2004 and requires monthly payments of \$16,667. The second lease expires in October 2004 and requires monthly payments of \$17,083.

Premises

The Company leases its premises under a lease expiring April 2014. The lease is subject to escalations for increases in utilities and other operating expenses. The aggregate minimum future payment under this lease during the years following December 31, 2003 are as follows :

2004	\$140,858
2005	143,675
2006	146,548
2007	149,481
2008	153,467
thereafter	933,257

SGI, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

Note 6 - Commitments (continued)

The New York Stock Exchange, Inc.'s Division of Enforcement notified the Company of the commencement of an investigation of the 2001 report of examination of the Company.

The outcome of the investigation cannot presently be determined. Management intends to vigorously defend against any current or prospective claims made or pursued by the New York Stock Exchange, Inc.

Note 7- Financial Instruments with Off-Balance Sheet Credit Risk

As a securities broker, the Company is engaged in buying and selling securities for a diverse group of institutional and individual investors. The Company's transactions are collateralized and are executed with and on behalf of banks, brokers and dealers and other financial institutions. The Company introduces these transactions for clearance to another broker/dealer on a fully disclosed basis.

The Company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair customers' ability to satisfy their obligations to the Company and the Company's ability to liquidate the collateral at an amount equal to the original contracted amount. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to such non-performance by its customers. The Company seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with various regulatory requirements and the clearing brokers internal guidelines. The Company monitors its customers activity by reviewing information it receives from its clearing broker on a daily basis, and requiring customers to deposit additional collateral, or reduce positions when necessary.

Note 8- Net Capital Requirement

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital 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 6-2/3%. At December 31, 2003, the Company had net capital of \$150,787, which was \$136,909 in excess of its required net capital of \$13,878. The Company's net capital ratio was 138.05%.

A copy of the Firm's Statement of Financial Condition as of December 31, 2003, pursuant to SEC Rule 17a-5, is available for examination at the Firm's office and at the regional office of the SEC.

LERNER & SIPKIN
CERTIFIED PUBLIC ACCOUNTANTS LLP

132 Nassau Street, New York, NY 10038 Tel 212.571.0064 / Fax 212.571.0074
E-mail: LS@lernerpsipkin.com

INDEPENDENT AUDITORS' REPORT

To the Members of
SGI, LLC
111 Broadway
New York, N.Y. 10006

Gentlemen:

We have audited the accompanying statement of financial condition of SGI, LLC as of December 31, 2003. This financial statement is the responsibility of the Company'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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of SGI, LLC, as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.


Lerner & Sipkin CPAs LLP
Certified Public Accountants (NY)

New York, NY
February 7, 2004

SGI, LLC
INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL
FOR THE YEAR ENDED DECEMBER 31, 2003



LERNER & SIPKIN

CERTIFIED PUBLIC ACCOUNTANTS LLP

132 Nassau Street, New York, NY 10038 Tel 212.571.0064 / Fax 212.571.0074

E-mail: LS@lernerpsipkin.com

To the Members of
SGI, LLC
111 Broadway
New York, N.Y. 10006

Gentlemen:

In planning and performing our audit of the financial statements of SGI, LLC for the year ended December 31, 2003, we considered its internal control structure, including procedures 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) and (2) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including test of compliance with such practices and procedures) followed by SGI, LLC that we considered relevant to the objectives stated in Rule 17a-5 (g), (1) in making periodic computations of aggregate indebtedness and net capital under Rule 17a-3 (a) (II) ; (2) in complying with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company (1) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (2) 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; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 structure policies and procedures 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 Commission's above mentioned objectives. Two of the objectives of an internal control structure 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 preparation of financial statements in conformity 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 any internal control structure or the practices and procedures referred to above, errors or irregularities 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 internal control structure, including procedures for determining compliance with the exemption provisions of Rule 15c3-3, 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 Company's practices and procedures were adequate at December 31, 2003, to meet the Commission's objectives.

This report recognizes that it is not practical in an organization the size of SGI, LLC to achieve all the divisions of duties and cross checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Further, that no material differences existed between our computations and your net capital, or determination of the reserve requirements and your corresponding amended focus report part II A filing.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies, which rely on Rule 17a-5 (g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Respectfully submitted,

Lerner & Sipkin CPAs, LLP
Lerner & Sipkin, CPAs, LLP
Certified Public Accountants (NY)

New York, NY
February 7, 2004