

SECURITY



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**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 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: BROOKWOOD ASSOCIATES, L.L.C.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
5 Piedmont Center, Suite 205

(No. and Street)

Atlanta

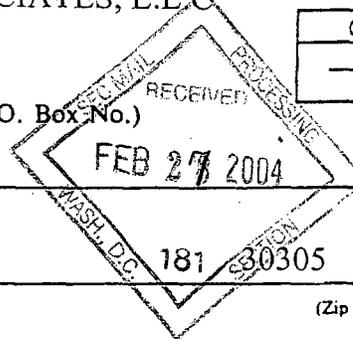
Georgia

(City)

(State)

181 30305

(Zip Code)



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

Robert S. Winborne

(404) 874-7433

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Miller Ray & Houser, LLP

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

99 West Paces Ferry Road, NW Atlanta

(Address)

(City)

Georgia

(State)

30305

(Zip Code)

**CHECK ONE:**

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

**PROCESSED**

**MAR 23 2004**

**THOMSON  
FINANCIAL**

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\*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).

DR 300

OATH OR AFFIRMATION

I, Robert S. Winborne, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brookwood Associates, L.L.C.

December 31, 19 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:

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

Robert S. Winborne  
Signature  
Managing Director  
Title

Jane E. Ritchie  
Notary Public  
expires 9-16-07

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 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).

**BROOKWOOD ASSOCIATES, L.L.C.**

Financial Statements

December 31, 2003 and 2002

(With Report of Independent Accountants)

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**Report of Independent Accountants**

**To the Members  
of Brookwood Associates, L.L.C.**

We have audited the accompanying balance sheets of Brookwood Associates, L.L.C. as of December 31, 2003 and 2002, and the related statements of income and changes in members' equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Brookwood Associates, L.L.C. as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II are 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.

*MILLER RAY & HOUSER LLP*

Atlanta, Georgia  
February 13, 2004

Brookwood Associates, L.L.C.

Statements of Income and Changes in Members' Equity

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenue	\$ 4,369,278	\$ 3,410,114
Expenses:		
Salaries and benefits	2,104,988	1,660,204
Regulatory licensing	10,006	2,673
General and administrative expenses	449,098	306,802
Total expenses	<u>2,564,092</u>	<u>1,969,679</u>
Operating income	1,805,186	1,440,435
Other income:		
Interest income	<u>2,572</u>	<u>3,251</u>
Total other income	<u>2,572</u>	<u>3,251</u>
Net Income	<u>1,807,758</u>	<u>1,443,686</u>
Members' equity, beginning balance	415,228	100,042
Less: Distributions	<u>1,665,253</u>	<u>1,128,500</u>
Members' equity, ending balance	<u>\$ 557,733</u>	<u>\$ 415,228</u>

See report of independent accountants and accompanying notes to financial statements.

**Brookwood Associates, L.L.C.**

**Statements of Cash Flows**

**For the Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,807,758	\$ 1,443,686
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	19,308	14,170
<b>Changes in assets and liabilities:</b>		
Accounts receivable	280,701	(290,701)
Deposits	-	-
Accounts payable	16,503	4,356
Accrued expenses	<u>42,191</u>	<u>(788)</u>
<b>Net cash provided by operating activities</b>	<u>2,166,461</u>	<u>1,170,723</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(121,378)</u>	<u>(14,344)</u>
<b>Net cash used in investment activities</b>	<u>(121,378)</u>	<u>(14,344)</u>
<b>Cash flows from financing activities:</b>		
Distributions to members	<u>(1,665,253)</u>	<u>(1,128,500)</u>
<b>Net cash used in financing activities</b>	<u>(1,665,253)</u>	<u>(1,128,500)</u>
<b>Net increase in cash</b>	379,830	27,879
<b>Cash and cash equivalents, beginning of year</b>	<u>72,347</u>	<u>44,468</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 452,177</u>	<u>\$ 72,347</u>
<b>Supplemental disclosures of cash flow information:</b>		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See report of independent accountants and accompanying notes to financial statements.

# BROOKWOOD ASSOCIATES, L.L.C.

## Notes to Financial Statements

December 31, 2003 and 2002

### (1) Summary of Significant Accounting Policies

#### **Organization and nature of Business**

Brookwood Associates LLC (the "Company") was organized on September 1, 2000 pursuant to the provisions of the Georgia Business Corporation Code.

The Company has two classes of membership interests. Class A has no voting rights but shares in the economics of ownership on a pro rata basis with Class B. Class B has full voting power. Owners of Class B interests are called Voting Members.

This Company was owned 100% by Brookwood Broker-Dealer, Inc. who had 1,000 Class B membership interest. Effective January 1, 2001, there was a change of ownership. T. Temple & Co., Inc. was taken in as an equal member who owns another 1,000 Class B membership interest.

The Company provides mergers and acquisitions and financing services to middle-market companies. The Company operates from offices in Atlanta, Georgia and Charlotte, North Carolina.

#### **Revenue Recognition**

Revenue is recognized when services have been performed by the Company, as evidenced by formal acceptance and signing of the closing documents for a transaction or the funding of a financing.

#### **Accounts Receivable**

Accounts receivables are recorded net of an allowance for doubtful accounts established to provide for losses on uncollectible accounts based on management's estimates and historical collection. For the years ended December 31, 2003 and 2002, management does not consider any allowance for doubtful accounts necessary. There were no bad debts in the years ended December 31, 2003 and 2002.

#### **Estimates**

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

# BROOKWOOD ASSOCIATES, LLC

## Notes to Financial Statements, Continued

### (1) Summary of Significant Accounting Policies continued

#### Cash Flows

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

#### Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets that are five and seven years.

#### Income Taxes

As a limited liability corporation, the Company is taxed under the provisions of the Internal Revenue Code under statutes specific to partnerships. Under these provisions, the Company does not pay federal income taxes on its taxable income; rather, the Members are liable for income taxes on their respective shares of the Company's taxable income.

### (2) Fixed Assets

Fixed assets consists of the following:

	<u>2003</u>	<u>2002</u>
Furniture and fixtures	\$ 66,378	\$ 17,954
Computers and office equipment	117,853	55,297
Leasehold improvements	<u>10,398</u>	<u>-</u>
	194,629	73,251
Less accumulated depreciation and amortization	<u>(44,190)</u>	<u>(24,882)</u>
	\$ <u>150,439</u>	\$ <u>48,369</u>

Depreciation expense for the years ended December 31, 2003 and 2002 was \$19,308 and \$14,170, respectively.

### (3) Employee Benefit Plan

The Company has established a pension plan ("Plan") under Section 401(k) of the Internal Revenue Code. All employees are eligible who have reached the age of 21 years and completed one year of service. The Company does not match the contributions made by the employees.

# BROOKWOOD ASSOCIATES, L.L.C.

## Notes to Financial Statements, Continued

### (4) Concentration of Credit risk

The Company performs evaluations of the relative credit standing of the financial institutions with which it maintains deposit relations and limits the amount of exposure with any particular financial institution.

Approximately 100% and 78% of total accounts receivable was due from one customer at December 31, 2003 and 2002, respectively. Approximately 71% of the revenue was generated by 4 customers in the year ended December 31, 2003 while two customers generated about 35% of the revenue in the year ended December 31, 2002.

### (5) Operating Leases

The Company has entered into operating leases for office spaces in Atlanta and Charlotte as well as for its copier. As of December 31, 2003, future minimum rental payments due under the noncancellable operating lease arrangements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2004	\$ 147,110
2005	146,979
2006	144,509
2007	143,092
2008	42,868
Thereafter	<u>-</u>
	\$ <u>624,558</u>

Rental expense incurred under these operating leases was \$95,785 and \$108,898 for the years ended December 31, 2003 and 2002, respectively.

### (6) Subsequent Event

As of January 1 2004, the Company restated its operating agreement, created two new classes of Units, exchanged all existing Units for new Class A and Class B Units and sold Class A Units to a new Member, TF Corporation. Class A Units will be adjusted among the Members each year based on the preceding years revenue. Ownership of Class B Units will remain constant.

**SUPPLEMENTAL INFORMATION**

## Brookwood Associates, L.L.C.

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

As of December 31, 2003

	<u>Report as of December 31, 2003</u>	<u>Audited Statements December 31, 2003</u>
<b>Ownership Equity</b>	\$ 557,733	\$ 557,733
Less: unallowed assets:		
Unsecured Accounts Receivable	10,000	10,000
Deposits	8,167	8,167
FF&E	<u>150,439</u>	<u>150,439</u>
<b>Net Capital</b>	<u>\$ 389,127</u>	<u>\$ 389,127</u>

See report of independent accountants.

**Brookwood Associates, L.L.C.**

**Computation for Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission**

**As of December 31, 2003**

**Brookwood Associates, L.L.C. is exempt from Computation for Determination of Reserve Requirements under SEC Rule 15c3-3(k)(2)(i). For Brookwood Associates, L.L.C. does not hold customer funds or safekeep customer securities**

See report of independent accountants.

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**Brookwood Associates, L.L.C.**

**Balance Sheets**

**December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<u>Assets</u>		
<b>Current assets:</b>		
Cash	\$ 452,177	\$ 72,347
Accounts receivable	10,000	290,701
Deposits	<u>8,167</u>	<u>8,167</u>
<b>Total current assets</b>	<u>470,344</u>	<u>371,215</u>
Fixed assets, net	150,439	48,369
<b>Total assets</b>	<u>\$ 620,783</u>	<u>\$ 419,584</u>
<u>Liabilities and Members' Equity</u>		
<b>Current liabilities:</b>		
Accounts payable	\$ 20,859	\$ 4,356
Accrued expenses	<u>42,191</u>	<u>-</u>
<b>Total current liabilities</b>	<u>63,050</u>	<u>4,356</u>
Members' equity	557,733	415,228
<b>Total liabilities and members' equity</b>	<u>\$ 620,783</u>	<u>\$ 419,584</u>

See report of independent accountants and accompanying notes to financial statements.