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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER
8: 32129

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 7/01/02 AND ENDING 6/30/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: ROTH CAPITAL PARTNERS, LLC

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

OFFICIAL USE ONLY
FIRM I.D. NO.

24 Corporate Plaza

(No. and Street)

Newport Beach

California

92660

(City)

(State)

(Zip Code)

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

Gordon J. Roth

(949) 720-5774

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Deloitte & Touche LLP

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

695 Town Center Drive

Costa Mesa

California

92626

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**  
SEP 20 2004  
THOMSON FINANCIAL

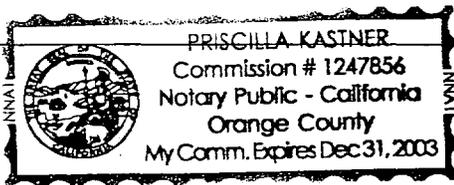
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

*[Handwritten signatures]*

OATH OR AFFIRMATION

I, Gordon J. Roth, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Roth Capital Partners, LLC, as of June 30, 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]  
Signature  
Chief Financial Officer  
Title

Priscilla Kastner  
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).



Deloitte & Touche LLP  
Suite 1200  
695 Town Center Drive  
Costa Mesa, CA 92626-7188  
USA

Tel: +1 714 436 7100  
Fax: +1 714 436 7200  
www.deloitte.com

## INDEPENDENT AUDITORS' REPORT

Roth Capital Partners, LLC:

We have audited the consolidated statement of financial condition of Roth Capital Partners, LLC and subsidiaries (the "Company") as of June 30, 2004 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. The 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated statement of financial condition presents fairly, in all material respects, the financial position of Roth Capital Partners, LLC and subsidiaries as of June 30, 2004 in conformity with accounting principles generally accepted in the United States of America.

August 26, 2004

# ROTH CAPITAL PARTNERS, LLC

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION JUNE 30, 2004

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### ASSETS

CASH AND CASH EQUIVALENTS	\$15,463,685
RECEIVABLE FROM CLEARING BROKERS	18,749,034
TRADE RECEIVABLES—Net of allowance of \$136,415	3,222,274
SECURITIES OWNED:	
Marketable—at market value	5,340,696
Not readily marketable—at estimated fair value (including \$7,192,287 securing payables to employees and minority interests)	16,634,551
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS—At cost, less accumulated depreciation and amortization of \$6,574,024	413,213
NOTES RECEIVABLE—Net of allowance of \$238,131	313,344
OTHER ASSETS	<u>660,314</u>
TOTAL	<u>\$60,797,111</u>

### LIABILITIES AND MEMBERS' EQUITY

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 7,362,661
SALARIES, COMMISSIONS AND BONUSES PAYABLE	16,002,654
PAYABLES TO EMPLOYEES FOR SECURITIES OWNED	3,843,841
SECURITIES SOLD BUT NOT YET PURCHASED—At market value	9,002,197
SUBORDINATED LIABILITY	<u>1,690,481</u>
Total liabilities	<u>37,901,834</u>
MINORITY INTERESTS	<u>3,348,446</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Note 8)	
MEMBERS' EQUITY:	
Members' equity before notes receivable from members	20,506,831
Notes receivable from members	<u>(960,000)</u>
Total members' equity	<u>19,546,831</u>
TOTAL	<u>\$60,797,111</u>

See accompanying notes to consolidated statement of financial condition.

# ROTH CAPITAL PARTNERS, LLC

## NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION JUNE 30, 2004

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### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**—Roth Capital Partners, LLC (the “Company”), a California limited liability company, was formed on February 2, 2001. The Company is a registered broker/dealer, and all securities transactions for the accounts of the Company and its customers are cleared by another broker/dealer on a fully disclosed basis.

The accompanying consolidated statement of financial condition includes the accounts of several limited liability companies (“LLC”) which the Company utilizes to invest in various hedge funds and private equity funds. The Company has between 10% and 100% ownership and significant control of the various LLCs as of June 30, 2004. All intercompany transactions and balances have been eliminated in consolidation.

**Basis of Presentation**—The consolidated statement of financial condition of the Company has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**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 and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial condition. Actual results could differ from those estimates.

**Securities Transactions**—Securities transactions and the related revenues and expenses are recorded on a trade-date basis.

**Cash and Cash Equivalents**—Cash and cash equivalents consist of cash balances maintained at banks and \$14,409,313 in money market accounts, with a weighted average yield of approximately 0.95% as of June 30, 2004.

**Securities Owned and Securities Sold but Not Yet Purchased**—Marketable securities owned and securities sold but not yet purchased are comprised primarily of common stock and are valued at current market prices. Securities not readily marketable consist of partnership interests, notes and common stock of private companies, and warrants that are exchangeable into investment securities that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933 or cannot be currently sold because of other arrangements, restrictions or conditions applicable to the securities. For the warrants, to the extent the underlying stock value exceeds the exercise price of the warrants, the warrants are valued as the difference of the underlying stock price and exercise price, which is then discounted for the period of time the warrants are not exercisable or for the restrictive nature of the underlying common stock. Other securities not readily marketable are valued at fair value by management based on their intimate knowledge of the market and the security. Because of the inherent uncertainty of the valuations, those estimated market values may differ from values that would have been used had a ready market for the securities existed, and the difference could be material.

The Company invests in securities sold but not yet purchased to reduce the Company's exposure to market risk and to enhance the Company's investment opportunities.

**Corporate Finance Income and Syndicated Income**—Corporate finance revenues and syndicated income are recognized and recorded upon closure of the financing effort. Such revenues are accrued for in trade receivables in the accompanying consolidated statement of financial condition.

**Deferred Revenue**—Deposits received from corporate finance activities are deferred until earned.

**Long-Lived Assets**—As required by Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company reviews the carrying value of its long-lived assets whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. No impairment loss was recorded for the year ended June 30, 2004.

**Fair Value of Financial Instruments**—Substantially all of the Company's financial instruments are carried at fair value. Receivables and payables are carried at cost or cost plus accrued interest, which approximates fair value.

**Recently Issued Accounting Pronouncements**—In May 2003, Financial Accounting Standards Board ("FASB") issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both debt and equity and requires an issuer to classify the following instruments as liabilities in its balance sheet:

- a financial instrument issued in the form of shares that is mandatorily redeemable and embodies an unconditional obligation that requires the issuer to redeem it by transferring its assets at a specified or determinable date or upon an event that is certain to occur;
- a financial instrument, other than an outstanding share, that embodies an obligation to repurchase the issuer's equity shares, or is indexed to such an obligation, and requires the issuer to settle the obligation by transferring assets; and
- a financial instrument that embodies an unconditional obligation that the issuer must settle by issuing a variable number of its equity shares if the monetary value of the obligation is based solely or predominantly on (1) a fixed monetary amount, (2) variations in something other than the fair value of the issuer's equity shares, or (3) variations inversely related to changes in the fair value of the issuer's equity shares.

SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and is effective for all other financial instruments as of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic companies. For nonpublic companies, mandatorily redeemable financial instruments are subject to the provisions of this statement for the first fiscal period beginning after December 15, 2004. SFAS No. 150 is to be implemented by reporting the cumulative effect of a change in accounting principle. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated statement of financial condition.

In January 2003, the FASB issued FASB Interpretation No. ("FIN") 46, *Consolidation of Variable Interest Entities—an interpretation of ARB No. 51*, which was subsequently revised prior to implementation in December 2003. The revised interpretation, known as "FIN 46-R," requires the consolidation of certain variable interest entities ("VIE") by the primary beneficiary of the entity if the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or if the equity investors lack the characteristics of a controlling financial interest. The Company holds interests in VIEs, in the form of LLCs, by which the Company invests in various hedge funds and private equity funds, as discussed above. Therefore, the Company has consolidated these VIEs as of June 30, 2004. Securities owned—not readily marketable and minority interests were increased by \$3,795,776 in the consolidated statement of financial condition.

## 2. SECURITIES OWNED

Marketable securities owned held as of June 30, 2004 consists of equity securities totaling \$1,354,096 and short-term notes of U.S. government agency securities with maturities less than one year totaling \$3,986,600 and a weighted average interest rate of 1.11%. Not readily marketable securities consist of the following investments, at market value:

	Collateral for Employee Payables and Minority Interests	Unencumbered	Total
Warrants, publicly traded companies	\$ 3,178,898	\$ 3,695,435	\$ 6,874,333
Privately held equity investments	3,348,446	4,362,446	7,710,892
Restricted publicly traded equities	<u>664,943</u>	<u>1,384,383</u>	<u>2,049,326</u>
Total not readily marketable securities	<u>\$ 7,192,287</u>	<u>\$ 9,442,264</u>	<u>\$ 16,634,551</u>

## 3. TRADE AND NOTES RECEIVABLE—NET

Trade receivables primarily consist of investment banking-related transactions which are generally due within the next 12 months. Notes receivable primarily consist of advances to employees, some of which are forgiven over a predetermined service period. The interest rates on the notes receivable have an interest rate range between 5% and 10% per annum as of June 30, 2004 and are due at various times. Primarily all of the notes receivable are due from employees and former employees other than members and are unsecured.

## 4. INCOME TAXES

As a limited liability company, the Company is generally not subject to federal or state income taxes. The members are required to report their proportionate share of income (loss) on their individual tax returns.

## 5. SUBORDINATED LIABILITY

The subordinated borrowing is covered by an agreement approved by the National Association of Securities Dealers and is thus available in computing net capital. Interest on the subordinated note is payable monthly. As of June 30, 2004, the subordinated liability has an interest rate of 10% and matures semiannually through June 30, 2006 as follows: \$425,000 on December 31, 2004, \$425,000 on June 30, 2005, \$425,000 on December 31, 2005 and \$415,481 on June 30, 2006.

**6. MEMBERS' EQUITY**

Notes receivable from members of \$960,000 represent advances to two principal members. The notes are unsecured and are payable on demand, and carry an interest rate of 5%.

**7. EMPLOYEE BENEFIT PLAN**

The Company has a 401(k) employee savings plan that covers all full-time employees who are at least age 21 with six months or more of continuous service. The Company may match employee contributions at its sole discretion.

**8. COMMITMENTS AND CONTINGENT LIABILITIES**

*Securities Sold but Not Yet Purchased*—In the normal course of business, the Company sells equity securities not yet purchased, which are recorded as liabilities on the consolidated statement of financial condition. The Company is exposed to the risk that market price increases cause the ultimate obligation for such commitments to exceed the amount recorded on the consolidated statement of financial condition. As of June 30, 2004, warrants in publicly traded companies and other securities associated with underwriting activities covered 22.4% and 37.5%, respectively, of securities sold but not yet purchased.

*Settlement of Securities Transactions*—The Company is obligated to settle transactions with brokers and other financial institutions even if its customers fail to meet their obligations to the Company. Customers are required to complete their transactions on settlement date, generally three business days after trade date. If customers do not fulfill their contractual obligations, the Company may incur losses. The Company has established procedures to reduce this risk by requiring deposits from customers for certain types of trades.

*Underwriting Transactions*—In the normal course of business, the Company enters into various underwriting commitments. In the opinion of management, the settlement of transactions relating to such commitments will have no material impact on the Company's consolidated financial condition.

*Litigation*—The Company is named as a defendant in various lawsuits in its normal course of business, including class action lawsuits, related to customer transactions. These lawsuits allege violations of federal and state securities laws and, in the aggregate, claim substantial damages. Management of the Company, after consultation with outside legal counsel, believes that the resolution of these various lawsuits will not result in a material adverse effect on the Company's consolidated financial position.

*Leases*—The Company leases office facilities, furniture and equipment under noncancelable operating leases having terms through 2007. Aggregate minimum commitments under these leases are as follows:

Year Ending June 30	
2005	\$2,077,387
2006	1,675,499
2007	956,039
	<u>\$4,708,925</u>

Aggregate minimum commitments have not been reduced by minimum sublease rentals of \$350,840 for the year ending June 30, 2004, under noncancelable subleases.

*Limited Partnership Investments*—The Company has capital commitments in limited partnerships held in securities owned, not readily marketable, that have not been called as of June 30, 2004 totaling \$764,291, net of minority interests' capital commitments of \$1,486,209.

**9. DERIVATIVE INSTRUMENTS**

The Company invests in equity-related derivative contracts, which are warrants in public and private companies. In the normal course of business, the Company acquires the warrants in connection with its investment banking services and holds them for long-term investment purposes.

Warrants represent the rights to buy the underlying equity securities at specified prices and future dates. The Company's exposure to credit risk associated with counterparty nonperformance on the warrants, which are not exchange traded, is typically limited to the unrealized gains reported as assets associated with such contracts. The Company carries the investments at estimated fair value.

**10. CONCENTRATION OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities. Counterparties to these activities primarily include broker/dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

**11. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital. At June 30, 2004, the Company has net capital of \$6,399,740 computed under the alternative method, which is \$5,984,240 in excess of its required net capital.

**12. RESERVE REQUIREMENTS FOR BROKERS OR DEALERS**

The Company is exempt from the provisions of Rule 15c3-3 (pursuant to paragraph (k)(2)(ii) of such rule) of the Securities Exchange Act of 1934 as an introducing broker or dealer that carries no customers' accounts, promptly transmits all customer funds and delivers all customer securities received to the clearing broker and does not otherwise hold funds or securities of customers or dealers. Because of such exemption, the Company is not required to prepare a determination of reserve requirement for brokers or dealers.

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Deloitte & Touche LLP  
Suite 1200  
695 Town Center Drive  
Costa Mesa, CA 92626-7188  
USA

Tel: +1 714 436 7100  
Fax: +1 714 436 7200  
www.deloitte.com

August 26, 2004

Roth Capital Partners, LLC  
24 Corporate Plaza  
Newport Beach, California 92660

Dear Ladies and Gentlemen:

In planning and performing our audit of the consolidated financial statements of Roth Capital Partners, LLC (the "Company") for the year ended June 30, 2004 (on which we issued our report dated August 26, 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 consolidated financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of 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 Company 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 Company 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 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 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 Security and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are: (1) to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use or disposition and (2) 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 are 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 Company's internal control would not necessarily disclose all matters in the Company'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 Company'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 Company's practices and procedures were adequate at June 30, 2004 to meet the Commission's objectives.

This report is intended solely for the information and use of the members, management, the Securities and Exchange Commission, the National Association of Securities Dealers 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*