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ANNUAL AUDITED REPORT
FORM X-17A-5
PART 111



SEC FILE NUMBER

8-50526

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: Deerfield Partners, LLC

OFFICIAL USE ONLY

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

FIRM ID. NO.

20 North Main Street, Suite 120
(No. and Street)

Sherborn
(City)

MA
(State)

01770
(Zip Code)

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

John Frieling

(508) 677-0081
(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Saslow Lufkin & Buggy, LLP

(Name — // individual, state last, first, middle name)

10 Tower Lane
(Address)

Avon
(City)

CT
(State)

06001
(Zip Code)

CHECK ONE:

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

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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 initials

Deerfield Partners, LLC
(SEC File No. 8-50526)

This report contains: (check all applicable boxes)

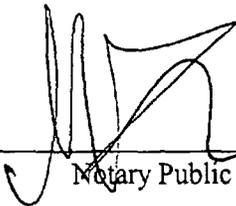
- (a) Facing page.
- (b) Statements of Financial Condition.
- (c) Statements of Operations.
- (d) Statements of Cash Flows.
- (e) Statements of Changes in Member's Equity.
- (f) Statement of Liabilities Subordinated to Claims of General Creditors (not applicable).
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 (see Note 1 - Description of Business).
- (i) Information Relating to the Possession or Control Requirements under Rule 15c3-3 (not applicable).
- (j) A reconciliation, including appropriate explanation, of the Computation of Net Capital pursuant to Rule 15c3-1 and the Computation for Determination of the Reserve Requirements pursuant to Exhibit A of Rule 15c3-3 (see Note 1 - Description of Business and Note 4 - Net Capital).
- (k) A reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation (not applicable).
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report (not applicable).
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit [see item (o)].
- (o) Supplemental Report on Internal Accounting Control Required by SEC Rule 17a-5 (filed concurrently herein).

Affirmation

I, John B. Frieling, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedule pertaining to the firm of Deerfield Partners, LLC for the year ended December 31, 2003 are true and correct. I further 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.

John B. Frieling 2/28/04
Signature Date

John B. Frieling
Managing Director



Notary Public



Deerfield Partners, LLC
(SEC File No. 8-50526)

**Financial Statements and Supplemental
Schedule and Independent Auditors' Report**

As of and for the Year Ended December 31, 2003

**Deerfield Partners, LLC
Financial Statements and
Supplemental Schedule and
Independent Auditors' Report
As of and for the Year Ended December 31, 2003**

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Independent Auditors' Report

To the Member of
Deerfield Partners, LLC:

We have audited the accompanying statement of financial condition of Deerfield Partners, 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 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 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 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 Deerfield Partners, 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplemental schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 of the Securities and 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 financial statements taken as a whole.

Saslow Lufkin & Buggy, LLP

February 18, 2004

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Hartford, CT 06101
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10 Main Street
Wilmington, VT 05401
Telephone (802) 865-9300
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Deerfield Partners, LLC
Statement of Financial Condition
December 31, 2003

Assets	
Cash and cash equivalents	\$ 6,853
Due from related parties	<u>498</u>
Total assets	<u><u>\$ 7,351</u></u>
Liabilities and Member's Equity	
Member's equity	<u>\$ 7,351</u>
Total liabilities and member's equity	<u><u>\$ 7,351</u></u>

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

Deerfield Partners, LLC
Statement of Operations
For the Year Ended December 31, 2003

Revenues:	
Investment banking fees	\$ 399,721
General and administrative expenses:	
Bad debt	550,192
Management fees	282,635
Floor brokerage, exchange and clearance fees	75,000
Accounting	25,117
Miscellaneous expense	<u>21,307</u>
Total general and administrative expenses	<u>954,251</u>
Loss from operations	(554,530)
Other income (expense):	
Realized loss on investments	(1,840,965)
Gain on disposition of investments	54,807
Income on investment in Deerfield Capital L.P.	1,072
Interest income	<u>44</u>
Total other expense	<u>(1,785,042)</u>
Loss before state income taxes	(2,339,572)
Provision for state income taxes	<u>(500)</u>
Net loss	<u><u>\$ (2,340,072)</u></u>

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

Deerfield Partners, LLC
Statement of Changes in Member's Equity
For the Year Ended December 31, 2003

Balance at January 1, 2003	\$ 2,395,919
Net loss	(2,340,072)
Contributions from partners	550,192
Distributions to partners	<u>(598,688)</u>
Balance at December 31, 2003	<u>\$ 7,351</u>

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

Deerfield Partners, LLC
Statement of Cash Flows
For the Year Ended December 31, 2003

Cash flows from operating activities:	
Net loss	\$ (2,340,072)
Adjustments to reconcile net loss to net cash used in operating activities:	
Bad debt expense	550,192
Realized loss on investments	1,840,965
Gain on disposition of investments	(54,807)
Other losses on disposition	359
Changes in assets and liabilities:	
Loan receivable	(550,192)
Due from related parties	(498)
	<u> </u>
Net cash used in operating activities	(554,053)
Cash flows from financing activities:	
Contributions from partners	<u>550,192</u>
	<u>550,192</u>
Net decrease in cash and cash equivalents	(3,861)
Cash and cash equivalents, beginning of year	<u>10,714</u>
Cash and cash equivalents, end of year	<u>\$ 6,853</u>
Supplemental cash flow disclosure:	
Cash paid for income taxes	<u>\$ 500</u>

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

Deerfield Partners, LLC
Notes to Financial Statements
For the Year Ended December 31, 2003

Note 1 - General

Organization - Deerfield Partners, LLC (the Company) was formed during July 1997 as a limited liability company under the laws of the Commonwealth of Massachusetts. As such, the owner (the member) is not liable for the debts of the Company.

Nature of Operations - As a securities broker and dealer and an investment advisor, the Company is engaged in various securities trading and brokerage activities, servicing a diverse group of individual and institutional investors. The Company is exposed to credit risk associated with the nonperformance of these customers in fulfilling their contractual obligations. The Company has a policy of reviewing, as considered necessary, the credit standing of each counterparty and customer with which it conducts business.

The Company does not hold funds or securities for, or owe funds or securities to customers. The Company is involved in mutual fund sales and is subject to the reserve requirement provisions of Rule 15c3-3. However, to conform to the exemption provision under rule 15c3-3, the Company has established a segregated cash account for the exclusive benefit of customers and is exempt from the calculation of a reserve requirement within Rule 15c3-3 under the exemptive provision Section (k)(2)(i) of the Securities and Exchange Act of 1934.

The Company is subject to federal and state security laws, as well as the NASD.

Note 2 - Summary of Significant Accounting Policies

Investment Banking - Investment banking revenues include fees earned from providing merger and acquisition and financial restructuring advisory services. Investment banking fees are recorded at the time the services are completed and the income is reasonably determinable.

Income Taxes - The Company has elected to be treated as an LLC under the Internal Revenue Code, having the Company's income treated for federal income tax purposes substantially as if the Company were a partnership. The member's respective equitable shares in the net income of the Company are reportable on their individual tax returns. Accordingly, the financial statements reflect no provision or liability for federal income taxes. However, a provision has been reflected for the Massachusetts minimum tax, which the Company is subject to.

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, liabilities, revenues and expenses, along with the disclosure of certain contingent assets and liabilities as of the financial statement date. Actual results in the future could vary from the amounts derived from management's estimates and assumptions.

Deerfield Partners, LLC
Notes to Financial Statements
For the Years Ended December 31, 2003

Note 3 - Trading Activities

The Company's trading activities include providing securities brokerage and investment advisory services to both affiliated company and third-party clients. The Company takes selective proprietary positions based on expectations of future market movements and conditions.

The Company is exposed to market risk on the various investments it holds. Market risk is the potential change in an instrument's value caused by fluctuations in interest rates, equity prices or other factors. *The level of market risk is influenced by the volatility and the liquidity of the markets in which financial instruments are traded.*

The Company is also exposed to credit risk, which is the risk of loss if an issuer or a counterparty fails to perform its obligations under contractual terms and the collateral held, if any, is deemed worthless (default risk). The Company has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties.

In the normal course of business, the Company also purchases, sells and underwrites securities that are not readily marketable. These activities expose the Company to a higher degree of credit risk than is associated with trading, investing in and underwriting securities that are readily marketable. At December 31, 2003, the Company did not have any exposure to credit risk associated with non-marketable securities. The Company holds no investments at December 31, 2003.

Note 4 - Net Capital

The Company, as a registered broker-dealer in securities, is subject to the uniform net capital rule under the Securities Exchange Act of 1934 (SEC Rule 15c3-1). The Company must maintain a minimum net capital of the greater of 6.67% of aggregate indebtedness or \$5,000, and the ratio of aggregate indebtedness to net capital, both as defined, may not exceed 15 to 1. The rule also requires that equity capital may not be withdrawn or cash dividends be paid if net capital is less than 120% of the Company's minimum net capital requirement or its ratio of aggregate indebtedness to net capital exceeds 10 to 1.

Note 5 - Concentration

For the year ended December 31, 2003, 42% and 19%, respectively of total revenues were received from two separate customers.

Deerfield Partners, LLC
Notes to Financial Statements
For the Year Ended December 31, 2003

Note 6 - Related Party Transactions

The Company pays management fees to Deerfield Management, Inc., a related party through common ownership. Management fee expense for the year ended December 31, 2003, was \$282,635.

The Company was a general partner in Deerfield Capital, L.P. (Capital), of which the managing member of the Company is a limited partner. The Company provides management services to Capital. The Company recognized income on its investment in Capital of \$1,072 in 2003. Capital was dissolved during 2003 and has no value at December 31, 2003.

Certain expenses in the amount of \$498 were paid by the Company for the outgoing partners of the Company. At December 31, 2003, the amounts are due to the Company and have been reflected as due from related parties.

Note 7 - Transfer and Redemption of Member's Equity

On June 30, 2003, the Company entered into a transaction to redeem all of its partners interests with the exception of the current remaining sole partner. In exchange for their interest as partners in the Company, the Company distributed investments valued at \$598,688 held by the Company at June 30, 2003. Upon execution of the transaction, these partners relinquished their partnership interest in the Company.

Note 8 - Non Cash Activity

The Company made non-cash distributions of investments valued at \$598,688 to redeem certain partners, see Note 7. Accordingly, this non cash activity was not reflected on the statement of cash flows.

Deerfield Partners, LLC
Computation of Net Capital and Aggregate Indebtedness Pursuant
to Rule 15-c3-1 of the Securities and Exchange Commission

Net Capital:

Members' equity	\$ 7,351
Total net capital	7,351
Less net capital requirement [greater of \$0 (6.67% of aggregate indebtedness or \$5,000)]	<u>5,000</u>
Net capital in excess of requirements	<u><u>2,351</u></u>

Aggregate Indebtedness:

Total liabilities	\$ -
Aggregate indebtedness	<u><u>\$ -</u></u>
Ratio: Aggregate indebtedness to net capital	<u><u>0 to 1</u></u>

Note: There is no material difference between net capital and aggregate indebtedness as reported above and that was previously reported by the Company in Part IIA of Form X-17A-5 as of December 31, 2003.

**Saslow
Lufkin &
Buggy, LLP**

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Supplemental Report on Internal Accounting Control
Required by SEC Rule 17a-5

To the Member of
Deerfield Partners, LLC:

In planning and performing our audit of the financial statements of Deerfield Partners, 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 internal control.

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 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 an 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

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Saslow
Lufkin &
Buggy, LLP

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AND CONSULTANTS

recorded properly to permit 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, errors 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 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 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. 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 information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. 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 be not used by anyone other than these specified parties.

Saslow Lufkin & Buggy, LLP

February 18, 2004