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SECURITIES ON



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FORM X-17A-5  
PART III

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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: Sapere Wealth Creation, LLC

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

130 Matthews Station Street, Suite 2-A

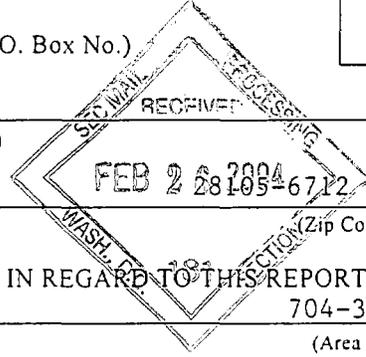
(No. and Street)

Matthews

(City)

NC

(State)



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FIRM I.D. NO.

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

Scott P. Trease

704-321-5244

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Hughes Pittman & Gupton, LLP

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

3110 Edwards Mill Road, Suite 210 Raleigh

(Address)

(City)

NC

(State)

27612

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 25 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)

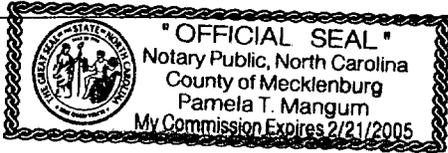
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Scott P. Trease, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sapere Wealth Creation, 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]  
Signature  
President  
Title

[Signature]  
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).

**SAPERE WEALTH CREATION, LLC**

**Financial Statements**

**December 31, 2003**

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# SAPERE WEALTH CREATION, LLC

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HUGHES

PITTMAN

GUPTON

## Independent Auditors' Report

The Member  
Sapere Wealth Creation, LLC  
Matthews, North Carolina

We have audited the accompanying balance sheet of Sapere Wealth Creation, LLC as of December 31, 2003, and the related statements of income, 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 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 Sapere Wealth Creation, 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 basic financial statements taken as a whole. The information contained in the accompanying schedules 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 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.

*Hughes Pittman & Gupton, LLP*

February 20, 2004  
Raleigh, North Carolina

*Certified Public Accountants*

**Hughes Pittman & Gupton, LLP**  
3110 Edwards Mill Road, Suite 210  
Raleigh, North Carolina 27612

**919.787.9765**  
919.787.9384 fax

# SAPERE WEALTH CREATION, LLC

## Balance Sheet

December 31, 2003

### Assets

#### Current assets:

Cash	\$ 10,000
Accounts receivable	<u>2,127</u>

Total assets	<u>\$ 12,127</u>
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### Liabilities

#### Current liabilities:

Accounts payable – related party	\$ 1,321
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Member's equity	<u>10,806</u>
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Total liabilities and member's equity	<u>\$ 12,127</u>
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*See accompanying notes to financial statements*

# SAPERE WEALTH CREATION, LLC

## Statement of Income

For the Year Ended December 31, 2003

Revenues:	
Investment advisory fees	<u>\$ 7,894</u>
Expenses:	
Management fee	900
General and administrative	<u>3,844</u>
Total expenses	<u>4,744</u>
Net income	<u><u>\$ 3,150</u></u>

*See accompanying notes to financial statements*

# SAPERE WEALTH CREATION, LLC

## Statement of Member's Equity

For the Year Ended December 31, 2003

Member's equity as of December 31, 2002	\$ 10,123
Member withdrawals	(2,467)
Net income	<u>3,150</u>
Member's equity as of December 31, 2003	<u><u>\$ 10,806</u></u>

*See accompanying notes to financial statements*

# SAPERE WEALTH CREATION, LLC

## Statement of Cash Flows

For the Year Ended December 31, 2003

### Cash flows from operating activities

Net income	\$ 3,150
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase (decrease) in operating assets and liabilities:	
Accounts receivable	(2,127)
Accounts payable – related party	<u>1,321</u>
Net cash provided by operating activities	2,344

### Cash flows from financing activities

Member withdrawals	<u>(2,467)</u>
Net decrease in cash	(123)
Cash as of beginning of period	<u>10,123</u>
Cash as of end of period	<u><u>\$ 10,000</u></u>

*See accompanying notes to financial statements*

# SAPERE WEALTH CREATION, LLC

Notes to Financial Statements

December 31, 2003

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Organization and Nature of Business**

Sapere Wealth Creation, LLC (the "Company") was organized under the laws of the State of North Carolina on February 18, 2002. The Company is a National Association of Securities Dealers, Inc. (NASD) registered broker-dealer. NASD requires a minimum capitalization of \$5,000. The Company is an exempt broker-dealer as defined in provisions of SEC Rule 15c3-3(k)(2)(ii). As such, the schedules entitled "Computation for Determination of Reserve Requirements Under Rule 15c-3-3" and "Information for Possession or Control Requirements Under Rule 15c-3-3" are not applicable.

The Company's primary purpose is to engage in broker-dealer, investment advisory and financial support services.

### **Basis of Presentation**

The Company's policy is to prepare its financial statements in accordance 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 amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. Actual results could differ from those estimates.

### **Investment Advisory Income**

Investment advisory fees are recognized as earned pursuant to the terms of the contracts.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments and money market funds purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2003 there were no cash equivalents.

### **Accounts Receivable**

In the opinion of management, all accounts receivable are collectible and no allowance for doubtful accounts is necessary as of December 31, 2003. Actual results could differ from the estimates that were used.

# SAPERE WEALTH CREATION, LLC

Notes to Financial Statements

December 31, 2001 and 2000

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

### **Advertising**

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense totaled \$0 in 2003.

### **Income Taxes**

The Company is treated as a partnership for federal and state income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the tax returns of the member. The financial statements, therefore, do not reflect a provision for income taxes.

## **NOTE 2: TRANSACTIONS WITH RELATED PARTY**

Sapere Wealth Management, LLC (the "Parent") is the sole member of Sapere Wealth Creation, LLC. The Parent and the Company entered into a management agreement whereby the Company is charged for certain marketing, operational and administrative services provided by the Parent. As of December 31, 2003, the Company owes \$1,321 to the Parent for management fees and other expenses paid by the Parent on behalf of the Company.

## **NOTE 3: SUBORDINATED LIABILITIES**

The Company had no existing subordinated liabilities during 2003. Therefore, the "Statement of Changes in Liabilities Subordinated to Claims of General Creditors" is not required.

## **NOTE 4: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimal net capital. The Company has elected to use the basic method, permitted by the Rule, which requires that the Company maintain minimum net capital of \$5,000, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2003, the Company had net capital, as defined, of \$10,806 which was \$5,806 in excess of required net capital, and its ratio of aggregate indebtedness to net capital was 0.12 to 1.

# SAPERE WEALTH CREATION, LLC

Computation of Net Capital under Rule 15c3-1  
of the Securities and Exchange Commission  
December 31, 2003

## Computation of net capital

Total member's equity from audited statement of financial condition	\$ 10,806
Deductions:	
Non-allowable assets - due from affiliate	<u>-</u>
Net capital before haircuts on securities positions	10,806
Haircuts on securities - other securities	<u>-</u>
Net capital	<u><u>\$ 10,806</u></u>

## Computation of basic net capital requirement

Net capital	\$ 10,806
Minimum dollar requirement	<u>5,000</u>
Excess net capital	<u><u>\$ 5,806</u></u>

There were no material differences between this computation of net capital and the corresponding computation prepared by the Company and included in Part IIA of Form X-17A-5 as of December 31, 2003.

**Report on Internal Control Required by SEC Rule 17a-5  
for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3**

The Member  
Sapere Wealth Creation, LLC  
Matthews, North Carolina

In planning and performing our audit of the financial statements and supplemental schedule of Sapere Wealth Creation, LLC for the year ended December 31, 2003, we considered its internal control 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.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e) and the procedures 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 and the recordation of differences required by Rule 17a-13.
2. 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 accordance 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 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 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 the following matters involving internal control that we consider to be material weaknesses as defined above:

The size of the business and resultant limited number of contract employees through a management agreement imposes practical limitations on the effectiveness of those control policies and procedures that depend on the segregation of duties, such as processing of cash receipts, cash disbursements and recordkeeping. Because this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

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 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 use of management of the Company, the SEC, NASD, 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.

*Hugues Pittman & Gupston, LLP*

February 20, 2004  
Raleigh, North Carolina