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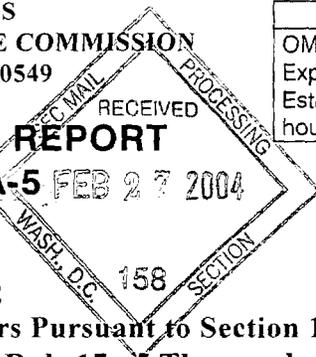


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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**



SEC FILE NUMBER  
8-53331

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: KEVIN DANN & PARTNERS, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

400 MADISON AVENUE, 4<sup>th</sup> FLOOR

(No. and Street)

NEW YORK

NY

10017

(City)

(State)

(Zip Code)

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

DAVID J. DEMPSEY

212-901-4061

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

PRICEWATERHOUSE COOPERS, LLP

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

1177 AVENUE OF THE AMERICAS NEW YORK

NY

10036

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED  
MAR 25 2004

**FOR OFFICIAL USE ONLY** 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)

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SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

DAVID J. DEMPSEY  
CHIEF FINANCIAL OFFICER

I, \_\_\_\_\_, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of KEVIN DAMN & PARTNERS, LLC, as of DECEMBER 31, 20 03, 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:

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

MICHAEL PAGANUSSI  
REG. NO. 01PA5004362  
COMMISSION EXP. 11/16/06  
BRONX COUNTY, NY

*Michael Paganussi*  
Notary Public

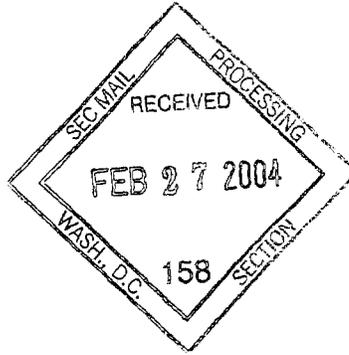
*D. J. Dempsey*  
Signature

CHIEF FINANCIAL OFFICER  
Title

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).

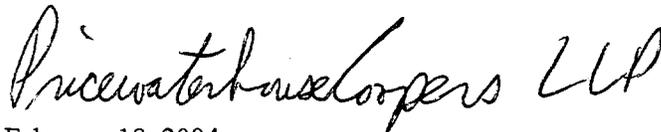


**Kevin Dann & Partners, LLC**  
Statement of Financial Condition  
December 31, 2003

**Report of Independent Auditors**

To the Members of  
Kevin Dann & Partners, LLC

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Kevin Dann & Partners, LLC (the "Company") at December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. 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 of this statement in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.



February 18, 2004

**Kevin Dann & Partners, LLC**  
**Statement of Financial Condition**  
**December 31, 2003**

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**Assets**

Cash equivalents	\$ 842,665
Receivable from brokers, dealers and clearing organization	528,580
Securities owned, at market value	610,730
Fixed assets and leasehold improvements, at cost, less accumulated depreciation and amortization of \$282,048	162,458
Other assets	31,330
Total assets	<u>\$ 2,175,763</u>

**Liabilities and Members' Equity**

Accrued compensation	\$ 415,053
Payable to brokers, dealers and clearing organization	130,200
Accrued expenses and other liabilities	251,636
Total liabilities	<u>796,889</u>
Members' equity	<u>1,378,874</u>
Total liabilities and members' equity	<u>\$ 2,175,763</u>

The accompanying notes are an integral part of this financial statement.

**Kevin Dann & Partners, LLC**  
**Notes to the Statement of Financial Condition**  
**December 31, 2003**

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**1. Organization and Business**

**Principal Activities**

Kevin Dann & Partners, LLC (the "Company") is a limited liability company registered in Delaware. The members' liability is limited to their capital contributions. The Company has both Common and Series A Redeemable Preferred Interest Members.

The Company is engaged in institutional equities brokerage, principal trading and investment banking. The Company's revenues are derived primarily from commission revenues and from trading as principal in equity securities. The Company clears its transactions on a fully disclosed basis through Banc of America Securities LLC. The Company is a registered broker-dealer in securities under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc.

**2. Summary of Significant Accounting Policies**

**Cash Equivalents**

The Company defines cash equivalents as highly liquid investments with original maturities of three months or less. At December 31, 2003, the Company's cash equivalents were held in a money market mutual fund.

**Securities Transactions**

Transactions in securities, commission revenues and related expenses are recorded on a trade date basis. Securities owned are recorded at market value based on quoted market prices using close of business exchange quotations.

Certain commissions are related to soft-dollar arrangements. These arrangements include expenditures related to research and other services to customers in return for these commissions. At December 31, 2003, there was approximately \$117,500 included in other liabilities for payables related to expenditures for these soft-dollar arrangements.

**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 financial statements. Actual results could differ from those estimates.

**Credit Risk**

In the normal course of business, the Company is exposed to risk of loss from the inability of brokers and dealers and financial institutions to pay for purchases or to deliver the financial instruments sold, in which case the Company would have to sell or purchase the financial instruments at prevailing market prices. However, the Company mitigates risk by dealing primarily with large United States financial institutions and through reporting and control procedures.

**Fair Value of Financial Instruments**

The Company's financial instruments are cash equivalents, securities, payables and receivables. The recorded value approximates their fair value based on their short-term nature or are recorded at market value.

**Kevin Dann & Partners, LLC**  
**Notes to the Statement of Financial Condition**  
**December 31, 2003**

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**Income Taxes**

The Company is not subject to federal and state income taxes. The members are liable for the payment of such income taxes based on the Company's taxable income. The Company is subject to New York City unincorporated business taxes.

**Fixed Assets and Leasehold Improvements**

Fixed assets and leasehold improvements are depreciated using the straight-line method over useful lives of three to five years. Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated useful life of the asset, whichever is shorter.

**Assets Held Under Capital Leases**

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight line method over the shorter of the estimated useful life of the assets or the period of the related lease.

**3. Letter of Credit**

As of December 31, 2003, the Company has an uncollateralized letter of credit for \$236,736 from its clearing broker to satisfy a security deposit for an existing office lease.

**4. Receivable From and Payable to Brokers, Dealers and Clearing Organization**

As of December 31, 2003, the receivable from and payable to brokers, dealers and clearing organization comprised:

	<b>Receivable</b>	<b>Payable</b>
Commissions	\$ 38,170	\$ 44,388
Payable to clearing organization for executed but unsettled transactions	-	85,812
Cash held as collateral by clearing organization	490,410	-
	<u>\$ 528,580</u>	<u>\$ 130,200</u>

**5. Securities Owned**

As of December 31, 2003, the securities owned balance comprised of listed United States equities and American Depository Receipts.

**6. Off Balance Sheet Risk**

The Company clears all of its securities transactions through the clearing broker on a fully disclosed basis. Pursuant to the terms of the agreement between the Company and the clearing broker, the clearing broker has the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations.

As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right. At December 31, 2003, the Company has recorded no liabilities with regard to the right.

**Kevin Dann & Partners, LLC**  
**Notes to the Statement of Financial Condition**  
**December 31, 2003**

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In addition, the Company has the right to pursue collection or performance from the counterparties who do not perform under their contractual obligations. The Company monitors the credit standing of the clearing broker and all counterparties with which it conducts business.

**7. Commitments**

The Company has obligations under one lease agreement for office space which expires on June 30, 2008, and provides for minimum rental payments of the following amounts:

<b>Year Ending December 31,</b>	<b>Future Minimum Payments</b>
2004	\$ 421,575
2005	432,545
2006	443,820
2007	358,719
2008	146,886
	<u>\$ 1,803,545</u>

The leases contain provisions for rent escalation based on costs incurred by the lessor.

In 2001, the Company entered into two non-cancelable sale-and-leaseback financing arrangements. Under the terms of the agreements, the Company sold certain machinery and equipment for \$110,792, leasing it back from the purchaser for a period of two and three years, respectively. The Company has a bargain purchase option at the end of each lease term. The Company is accounting for the leasebacks as capital leases. Accumulated amortization of the leased equipment was approximately \$90,440.

The future minimum rental payments required under the remaining capital lease equals \$24,884 less interest of \$1,225 resulting in the present value of the net minimum lease payments of \$23,659.

**8. Members' Capital**

The Company has both Common and Preferred Interest Members as defined by the Company's Limited Liability Agreement, as amended. The Preferred Interest Members have made capital contributions to the Company. In consideration of their capital contributions, Preferred Interest Members are entitled to a stated cumulative preferred return on their initial capital contributed which is payable annually from the net income of the Company until their capital contributions have been fully redeemed (redeemable at the sole discretion of the Company). To the extent that the entire amount of the preferred return owed to the Preferred Interest Members is not distributed to them in any year, the deficiency shall carry forward to the next year and be added to the preferred return payable in succeeding years. Upon redemption of all preferred interests, the Preferred Interest Members shall automatically receive common interests. Common Interest Members do not receive capital distributions, except for allowable tax distributions, until the original capital contributions made by the Preferred Interest Members have been redeemed. The Limited Liability Agreement stipulates the redemption features for Common Interest Members. Preferred return of \$238,231 has not been distributed to Preferred Interest Members.

**Kevin Dann & Partners, LLC**  
**Notes to the Statement of Financial Condition**  
**December 31, 2003**

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**9. Net Capital Requirements**

The Company, as a broker-dealer, is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. Under the Rule, the Company is required to maintain minimum net capital equal to the greater of \$100,000 or 6-2/3% of aggregate indebtedness, as defined. At December 31, 2003, the Company had net capital of \$1,291,871 which was \$1,191,871 in excess of its required net capital of \$100,000.

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of that rule.