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

SEC FILE NUMBER
8 - 52597

**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 JANUARY 1, 2004 AND ENDING DECEMBER 31, 2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER DEALER:

DELTEC ASSET MANAGEMENT, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

645 FIFTH AVENUE, 18<sup>th</sup> FLOOR

(No. And Street)

NEW YORK,  
(City)

NY  
(State)

10022  
(Zip Code)

PROCESSED  
MAR 11 2005  
THOMSON FINANCIAL

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

STEPHEN ZUPPELLO

(212) 546-6285

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

FULVIO & ASSOCIATES, LLP

ATTN: JOHN FULVIO, CPA

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

60 EAST 42<sup>ND</sup> STREET

NEW YORK

NY

10165

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

\*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 basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, STEPHEN ZUPPELLO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DELTEC ASSET MANAGEMENT, LLC, as of DECEMBER 31, 2004, 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:

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

Stephen Zuppello  
Signature  
S. M. D.  
Title

Susan E. VanVelson  
Notary Public  
SUSAN E. VANVELSON  
Notary Public, State of New York  
No. 01VA6045572  
Qualified in Ulster County 06  
Commission Expires July 31, 2006

This report \*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (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 or 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 sin the date of previous audit.
- (o) Supplemental independent Auditors Report on Internal Accounting Control.

\*\*For conditions of confidential treatment of certain portions of this filing see section 240.17a-5(e)(3).

DELTEC ASSET MANAGEMENT LLC  
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF  
FINANCIAL CONDITION

DECEMBER 31, 2004

INDEPENDENT AUDITORS' REPORT

To the Members of  
Deltec Asset Management LLC:

We have audited the accompanying consolidated statement of financial condition of Deltec Asset Management LLC (the "Company") as of December 31, 2004. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated 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 financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 consolidated financial statement referred to above presents fairly, in all material respects, the financial position of Deltec Asset Management LLC as of December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

*Fulvio & Associates LLP*

New York, New York  
January 21, 2005

**DELTEC ASSET MANAGEMENT LLC AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2004**

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**ASSETS**

Cash and cash equivalents	\$ 567,832
Securities owned, at market value	5,400,997
Receivable from clearing broker	364,594
Accrued management fees and other receivable	966,489
Deposit with clearing broker	250,000
Investments in and advances to affiliated partnerships	4,152,753
Furniture, equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of \$113,063	169,988
Other assets	174,109
<b>TOTAL ASSETS</b>	<b><u><u>\$ 12,046,762</u></u></b>

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES:**

Accounts payable and accrued liabilities	\$ 767,228
Excess of fair value of net assets acquired over cost	<u>686,023</u>
Total liabilities other than members' interests	1,453,251
Mandatory redeemable members' interests	<u>1,832,624</u>
Total liabilities	3,285,875
<b>MEMBERS' EQUITY</b>	<u>8,760,887</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b><u><u>\$ 12,046,762</u></u></b>

See notes to consolidated statement of financial condition.

# DELTEC ASSET MANAGEMENT LLC AND SUBSIDIARY

## NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2004

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### 1. ORGANIZATION

Deltec Asset Management LLC (the "Company"), a Delaware limited liability company, was formed on February 1, 2000 to acquire the assets and business of Deltec Asset Management Corporation ("DAMC"), a securities broker-dealer and investment advisor. The Manager of the Company is Blue Tee Partners, LLC ("Blue Tee"), a Delaware limited liability company.

On September 29, 2000, DAMC merged with and into the Company. The Company has accounted for the merger as a purchase transaction and has recorded the difference between the purchase consideration and the estimated fair value of the net assets acquired as excess of fair value of net assets acquired over cost, to be recognized as the underlying assets are disposed of and/or amortized. Prior to the merger, the Company's operations were limited to organizational activities.

All references to the Company in the accompanying consolidated statement of financial condition include the Company and its wholly owned subsidiary, Deltec Partners, LLC.

### 2. BUSINESS

The Company provides securities brokerage and investment advisory services to its customers and also engages in securities trading and investing for its own account. The Company does not carry customer accounts and clears all customer and proprietary security transactions on a fully disclosed basis.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated statement of financial condition includes the accounts of the Company and its wholly owned subsidiary, Deltec Partners LLC, after the elimination of intercompany transactions and balances.

Cash equivalents are defined as short-term, highly liquid investments with original maturities when purchased of three months or less.

Financial instruments are carried at fair value or at amounts which approximate fair value.

# DELTEC ASSET MANAGEMENT LLC AND SUBSIDIARY

## NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2004 (continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Securities owned are carried at market value and, where there is no market on a securities exchange or no publicly quoted market, at estimated fair value, as determined by management.

Investments in affiliated partnerships are carried at cost plus equity in earnings.

Furniture, equipment and leasehold improvements are depreciated on a straight-line basis using estimated useful lives of 5 to 10 years.

No provision has been made for federal or state income taxes in the accompanying consolidated statement of financial condition as the members are individually responsible for the taxes on their share of the Company's income. The Company has provided for entity-level local income taxes.

In May 2003, The Financial Accounting Standards Board ("FASB") issued SFAS 150 which establishes how an issuer classifies and measures certain financial instruments with the characteristics of liabilities and equity. SFAS 150 became effective for mandatory redeemable financial instruments of non public entities in the first fiscal period beginning after December 15, 2003. In accordance with SFAS 150, at December 31, 2004, the Company has classified as liabilities members' interests with a carrying value of \$1,832,624.

### 4. AFFILIATED PARTNERSHIPS

The Company is the sole general partner of a number of investment partnerships. In addition, the Company is a member of Squam Ventures, LLC which, in turn, is the general partner of Deltec Special Situations Partners, L.P. The Company is also the sole investment advisor to these partnerships and provides these partnerships with securities brokerage services.

Investments in and advances to affiliated partnerships at December 31, 2004 include:

Deltec Recovery Fund, L.P.	\$2,370,728
Deltec Emerging Market Equities, L.P.	767,486
Deltec Total Return Bond Fund, L.P.	358,827
Deltec Forum Fund, L.P.	240,039
Deltec Latin America Partners, L.P.	242,683
Squam Ventures, L.L.C.	<u>172,990</u>
Total	<u>\$4,152,753</u>

**DELTEC ASSET MANAGEMENT LLC AND SUBSIDIARY**

**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
FOR THE YEAR ENDED DECEMBER 31, 2004 (continued)**

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**5. RECEIVABLE FROM CLEARING BROKER**

The receivable from clearing broker consists primarily of cash deposits which support and facilitate the Company's brokerage and proprietary trading activities.

**6. SECURITY POSITIONS**

Security positions, at market value, are as follow:

Fixed income obligations	\$ 2,518,777
Equity securities	<u>2,882,220</u>
	<u>\$ 5,400,997</u>

**7. EMPLOYEE 401(k) PROFIT SHARING PLAN**

The Company maintains a 401(k) profit sharing plan providing for Company and employee contributions. This plan provides for benefits to be paid upon retirement, death, disability or termination of service. Employees are eligible to make elective deferrals upon the commencement of employment provided they have reached the age of twenty-one. The employee's contribution is limited to the lesser of 10% of gross wages or the maximum employee deductible contribution for a defined contribution plan. The Company matches employee contributions up to a maximum of 2% of annual base compensation of up to \$205,000, and also contributes 3% of annual base compensation up to \$205,000 for all employees who have attained age twenty-one and have completed one year of service. In addition, at its sole discretion, the Company may make an annual profit sharing contribution to the plan. Employees are always 100% vested in both their elective contributions and the employer's 3% contribution. Employer matching and discretionary profit sharing contributions vest 100% over a five-year period.

**8. COMMITMENTS AND CONTINGENCIES**

The Company is obligated under a noncancelable lease expiring in 2008. Future minimum rental payments required under the lease agreement are approximately as follows:

2005	\$ 943,000
2006	943,000
2007	943,000
2008	<u>708,000</u>
	<u>\$ 3,537,000</u>

The lease includes provision for escalation.

**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
FOR THE YEAR ENDED DECEMBER 31, 2004 (continued)**

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**8. COMMITMENTS AND CONTINGENCIES (cont'd)**

At December 31, 2004, the Company was obligated under an irrevocable letter of credit issued by a bank in the amount of \$118,000 relating to the lease obligation. The letter of credit is fully collateralized by U.S. Treasury obligations.

**9. NET CAPITAL REQUIREMENTS**

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule (the "Rule") under the Securities Exchange Act of 1934, which specifies minimum net capital requirements for its registrants. The Company elected the "Alternative Net Capital Requirement" permitted by the Rule, which states that the broker-dealer must maintain net capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debit items, as defined. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate debit items. At December 31, 2004, the Company had net capital of \$3,060,865 which exceeded the minimum net capital requirement by \$2,810,865.

**10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK**

In the normal course of business, the Company's proprietary activities involve the execution, settlement and financing of various securities transactions. These activities may expose the Company to off-balance-sheet credit risk in the event the counterparty is unable to fulfill its contracted obligations.

Further, the Company borrows securities to facilitate the settlement process. When the Company borrows securities it usually provides the counterparty with collateral in the form of cash or other securities. These transactions expose the Company to off-balance-sheet risk arising from the potential that the counterparty may fail to satisfy its obligations and the collateral will be insufficient. In these situations, the Company may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to its counterparties. In addition, the Company may be exposed to similar off-balance-sheet risk arising from liabilities to other counterparties related to unsettled transactions.

The Company from time to time sells securities that it does not currently own and would therefore be obligated to purchase such securities at a future date. Losses may be incurred if the market value of such securities increases.

**11. RULE 15C3-3**

The Company is exempt from the provisions of Rule 15c3-3 under paragraph k(2)(A) in that the Company carries no customer accounts and effectuates all financial transactions on behalf of customers on a fully disclosed basis.

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