BD

[redacted]E COMMISSION
20549

05039100

3-17

8-53403

MAIL PROCESSING SECTION
MAR - 1 2005

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

**Information ... Pursuant to Section 17 of the ... es Exchange Act of 1934**
**and Rule 17a-5 Thereunder**

| | | | |
|---|---|---|---|
| **REPORT FOR THE PERIOD BEGINNING** | 01/01/04<br>MM/DD/YY | **AND ENDING** | 12/31/04<br>MM/DD/YY |

## A. REGISTRANT IDENTIFICATION

**NAME OF BROKER-DEALER:**

Navigant Consulting Capital, LLC

PROCESSED
MAR 23 2005
THOMSON FINANCIAL

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

1175 Peachtree Street, NE, Suite 1900

(No. and Street)

| | | |
|---|---|---|
| Atlanta | GA | 30361 |
| (City) | (State) | (Zip Code) |

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

Jonathan W. Berger — 404-602-5050
(Area Code -- Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

**INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report***
*(Name -- if individual, state last, first, middle name)*

KPMG LLP

| | | | |
|---|---|---|---|
| 303 East Wacker Drive | Chicago | IL | 60601-5212 |
| (ADDRESS) Number and Street | City | State | Zip Code |

**CHECK ONE:**

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

**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).*

3/14

# OATH OR AFFIRMATION

I, Jonathan W. Berger, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Navigant Consulting Capital, 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.

Jonathan Berger

Name Jonathan Berger
Title President

Mandy A. Williams

Notary Public

Mandy Ann Williams
Notary Public, Fulton County, Georgia
My Commission Expires February 20, 2007

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

| | | |
|---|---|---|
| X | (a) | Facing Page |
| X | (b) | Statement of Financial Condition |
| X | (c) | Statement of Income |
| X | (d) | Statement of Cash Flows |
| X | (e) | Statement of Changes in Stockholder's Equity of Partners' or Sole Proprietor's Capital |
| | (f) | Statement of Changes in Liabilities Subordinated to Claims of Creditors |
| X | (g) | Computation of Net Capital |
| | (h) | Computation for Determination of Reserve Requirement 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 for Determination of the Reserve Requirements Under Exhibit A Rule 15c3-3 |
| | | Schedule of Segregation Requirements and Funds in Segregation Pursuant to Commodity Exchange Act |
| | (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)

**KPMG LLP**
303 East Wacker Drive
Chicago, IL 60601-5212

## Independent Auditors' Report

To the Managing Member
Navigant Consulting Capital, LLC:

We have audited the accompanying balance sheets of Navigant Consulting Capital, LLC ("the Company") as of December 31, 2004 and 2003, and the related statements of operations, changes in member's equity, and cash flows for the years 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 audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits 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 Navigant Consulting Capital, LLC as of December 31, 2004 and 2003 and the results of its operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I 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.

KPMG LLP

Chicago, Illinois
February 25, 2005

**NAVIGANT CONSULTING CAPITAL, LLC**

Balance Sheets

December 31, 2004 and 2003

| Assets | | 2004 | 2003 |
|---|---|---|---|
| Cash | $ | 841,544 | 688,875 |
| Accounts receivable, net of allowance for doubtful accounts of $30,950 and $12,517 as of December 31, 2004 and 2003, respectively | | 1,487,368 | 83,708 |
| Total assets | $ | 2,328,912 | 772,583 |
| **Liabilities and Member's Equity** | | | |
| Accrued liabilities | $ | 27,053 | 786 |
| Payable to parent company | | 207,455 | 525,378 |
| Total liabilities | | 234,508 | 526,164 |
| Member's equity | | 2,094,404 | 246,419 |
| Total liabilities and member's equity | $ | 2,328,912 | 772,583 |

See accompanying notes to financial statements.

## NAVIGANT CONSULTING CAPITAL, LLC

Statements of Operations

Years ended December 31, 2004 and 2003

| | | 2004 | 2003 |
|---|---|---|---|
| Revenues: | | | |
| Revenues before reimbursements | $ | 2,914,767 | 648,196 |
| Reimbursements | | 23,647 | 91,832 |
| Total revenues | | 2,938,414 | 740,028 |
| Costs of services: | | | |
| Costs of services before reimbursable expenses | | 453,752 | 373,511 |
| Reimbursable expenses | | 23,647 | 91,832 |
| Total costs of services | | 477,399 | 465,343 |
| General and administrative expenses: | | | |
| Occupancy | | 52,806 | 43,380 |
| Bad debt expense | | 18,450 | 12,517 |
| Other general and administrative expenses | | 91,774 | 27,369 |
| Total general and administrative expenses | | 163,030 | 83,266 |
| Net income | $ | 2,297,985 | 191,419 |

See accompanying notes to financial statements.

**NAVIGANT CONSULTING CAPITAL, LLC**

Statements of Changes in Member's Equity

Years ended December 31, 2004 and 2003

| | | Capital | Undistributed net income | Distributed to member | Total |
|---|---|---|---|---|---|
| Balance at December 31, 2002 | $ | 55,000 | — | — | 55,000 |
| Net income | | — | 191,419 | — | 191,419 |
| Balance at December 31, 2003 | | 55,000 | 191,419 | — | 246,419 |
| Net income | | — | 2,297,985 | — | 2,297,985 |
| Distribution to member | | — | — | (450,000) | (450,000) |
| Balance at December 31, 2004 | $ | 55,000 | 2,489,404 | (450,000) | 2,094,404 |

See accompanying notes to financial statements.

## NAVIGANT CONSULTING CAPITAL, LLC

Statements of Cash Flows

Years ended December 31, 2004 and 2003

| | | 2004 | 2003 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ | 2,297,985 | 191,419 |
| Adjustment to reconcile net income to net cash provided by operating activities: | | | |
| Provision for bad debts | | 18,450 | 12,517 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | | (1,422,110) | (96,225) |
| Receivable from parent company | | — | 16,395 |
| Payable to parent company | | (317,923) | 525,378 |
| Accrued liabilities | | 26,267 | 786 |
| Net cash provided by operating activities | | 602,669 | 650,270 |
| Cash flows from financing activities: | | | |
| Distribution to shareholders | | (450,000) | — |
| Net cash used in financing activities | | (450,000) | — |
| Net increase in cash | | 152,669 | 650,270 |
| Cash at beginning of the year | | 688,875 | 38,605 |
| Cash at end of the year | $ | 841,544 | 688,875 |

See accompanying notes to financial statements.

## (1) Organization

Navigant Consulting Capital, LLC ("the Company"), also doing business as Sextant Corporate Finance, is a wholly owned subsidiary of Navigant Consulting, Inc. ("NCI"). The Company was organized as a limited liability company and changed its name from Navigant Consulting Energy Capital, LLC to Navigant Consulting Capital, LLC on August 26, 2003. The Company is a member of the National Association of Securities Dealer (the "NASD"). The Company provides financial advisory services for private placements and mergers and acquisitions.

"Navigant" is a service mark of Navigant International, Inc. NCI is not affiliated, associated, or in any way connected with Navigant International, Inc. and NCI's use of "Navigant" is made under license from Navigant International, Inc.

## (2) Summary of Significant Accounting Policies

### *(a) Preparation of Financial Statements*

The Company's financial statements were prepared in accordance with the accounting principles generally accepted in the United States of America.

### *(b) Basis of Accounting*

Revenues and expenses are recorded on the accrual basis of accounting.

### *(c) Revenue Recognition*

The Company recognizes revenue as the related professional services are provided. In connection with recording revenues, estimates and assumptions are required in determining the expected conversion of the revenues to cash. From time to time, the Company earns incremental revenues, in addition to hourly or fixed fee billings, which are contingent on the attainment of certain contractual milestones or objectives. These incremental revenue amounts are generally contingent on a specific event, after which revenue is recognized on the percentage of completion method.

Total revenues include reimbursable costs which are billed to customers. These reimbursable costs are recorded as a component of cost of services.

### *(d) Income Taxes*

The Company is a single member limited liability company under the Internal Revenue Code. Therefore, the net income or loss of the Company is included in the income tax return of the Company's shareholder.



(Continued)

*(e) Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Company to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

## (3) Related-party Transactions

The Company has a service agreement (the "Agreement") with NCI. Under the terms of the Agreement, NCI agrees to provide to the Company consulting personnel; office space; office-related equipment; administrative support such as technical, accounting, and bookkeeping; and such other services as the parties may agree to from time to time, provided that the Company shall have supervisory authority for persons registered with the NASD as representatives and principals of the Company to the extent required under NASD rules. NCI invoices the Company on a periodic basis, generally monthly, for consulting services provided and reimbursable costs. Consulting services are billed at cost plus a percentage mark up for fringe, facilities, and operating expenses based upon the terms of the Agreement. At December 31, 2004 and 2003, the Company owed NCI $207,455 and $525,378, respectively, which is recorded as a payable to parent company in the balance sheet.

## (4) Net Capital Requirements under SEC Rule 15c3-1

As a broker/dealer, 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. Rule 15c3-1 requires that the Company maintain minimum net capital, as defined, of $15,635 at December 31, 2004, and the ratio of "aggregate indebtedness" to "net capital," as those terms are defined by the rule, may not exceed 15 to 1. At December 31, 2004, the Company's net capital was $607,016, which was $591,381 in excess of its required net capital and its ratio of aggregate indebtedness to net capital was .39 to 1.

## (5) Reserve Requirement under SEC Rule 15c3-3

SEC Rule 15c3-3, *Customer Protection – Reserves and Custody of Securities* ("Rule 15c3-3"), requires, among other things, every broker or dealer to perform a periodic computation of Reserve Requirement unless such broker or dealer is exempted under the exemptive provisions of Rule 15c3-3. The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities. Accordingly, pursuant to Rule 15c3-3(k)(2)(i), the Company is exempted from such reserve requirement computation.

**Schedule I**

# NAVIGANT CONSULTING CAPITAL, LLC

Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission

December 31, 2004

| | | |
|---|---|---|
| Computation of net capital: | | |
| Total member's equity | $ | 2,094,404 |
| Deduct: | | |
| Nonallowable assets: | | |
| Accounts receivable | | 1,487,388 |
| Net capital | | 607,016 |
| Minimum net capital requirement | | 15,635 |
| Net capital in excess of requirement | $ | 591,381 |
| Aggregate indebtedness – accounts payable, accrued expenses, and other liabilities | $ | 234,527 |
| Ratio of aggregate indebtedness to net capital | | 39% |

The above computation does not differ from the computation of net capital under Rule 15c3-1 as of December 31, 2004 filed by Navigant Consulting Capital, LLC in its Form X-17A-5 with the National Association of Securities Dealers, Inc. on February 25, 2005.

The Registrant is not required to compute the Reserve Requirements under Exhibit A of Rule 15c3-3(k)(2)(i) or to include Information Relating to the Possession or Control Requirements under Rule 15c3-3 because the Registrant does not carry securities accounts for customers or perform custodial functions relating to customer securities.

See accompanying independent auditors' report.

KPMG

**KPMG LLP**
303 East Wacker Drive
Chicago, IL 60601-5212

# Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption From SEC Rule 15c3-3

To the Managing Member of
Navigant Consulting Capital, LLC:

In planning and performing our audit of the financial statements and supplemental schedule of Navigant Consulting Capital, LLC (the "Company"), for the year ended December 31, 2004, 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 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 (or aggregate debits) 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 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 conformity with generally accepted accounting principles. 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 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, 2004 to meet the SEC's objectives.

This report is intended solely for the information and use of the shareholder, management, the SEC, National Association of Securities Dealers, Inc., 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.

KPMG LLP

Chicago, Illinois
February 25, 2005