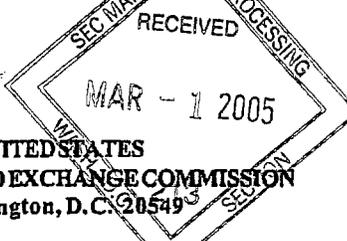




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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



BB 3/18

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: January 31, 2007  
Estimated average burden  
hours per response.....12.00

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

SEC FILE NUMBER  
8-50006

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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: South Atlantic Enterprises, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

2301 Woman's Club Drive Suite 105

(No. and Street)

Raleigh

NC

27612

(City)

(State)

(Zip Code)

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

Robert L Abbott, Jr

(919) 785-3050

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Rosenthal & Kaplin, PC

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

7100 Peachtree Dunwoody Road Suite 200 Atlanta

GA

30328

(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 29 2005

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)

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.

AM 3-23-2005

PS 3/18

OATH OR AFFIRMATION

I, Robert L Abbott, Jr, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Rosenthal & Kaplin, PC, as of February 24, 2005, 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:

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

Robert L Abbott  
Signature  
President  
Title

David J Savino  
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).

## CONTENTS

Independent Auditors' Report

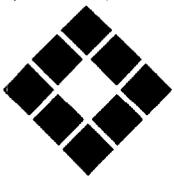
### FINANCIAL STATEMENTS:

Statements of Financial Condition  
Statements of Operations and Retained Earnings  
Statements of Cash Flows  
Notes to Financial Statements

### SUPPLEMENTARY INFORMATION:

Computation of Net Capital  
Internal Control Report

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# Rosenthal & Kaplin, P.C.

Certified Public Accountants

Carl R. Rosenthal, C.P.A., P.F.S.  
Stuart P. Rosenthal, C.P.A.  
Jeffrey L. Kaplin, C.P.A.  
Sam M. Levy, C.P.A.

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
South Atlantic Enterprises, Inc.  
Raleigh, North Carolina

We have audited the accompanying statements of financial condition of South Atlantic Enterprises, Inc., as of December 31, 2004 and 2003 and the related statements of operations and retained earnings and cash flows for the years then ended. 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 generally accepted auditing standards. 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 South Atlantic Enterprises, Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplementary section is presented for purpose of analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. 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.

*Rosenthal & Kaplin, P.C.*

February 25, 2004

7100 Peachtree Dunwoody Road  
Suite 200  
Atlanta, Georgia 30328  
(770) 551 8665  
◆ Fax (770) 551 5868

**FINANCIAL STATEMENTS**

**SOUTH ATLANTIC ENTERPRISES, INC.  
STATEMENTS OF FINANCIAL CONDITION**

	For the years ended	
	December 31,	
	<u>2004</u>	<u>2003</u>
<b>ASSETS:</b>		
Current Assets		
Cash and cash equivalents	\$76,190	\$427,255
Marketable securities	428,850	156,390
Total Current Assets	<u>505,040</u>	<u>583,645</u>
Other Assets		
Investments	-	12,400
Deposits	400	400
Total Other Assets	<u>400</u>	<u>12,800</u>
Total Assets	<u><u>\$505,440</u></u>	<u><u>\$596,445</u></u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Current Liabilities		
Accrued expenses	-	\$22,747
Total Current Liabilities	<u>-</u>	<u>22,747</u>
Stockholders' Equity		
Common stock, \$1.00 par value, 100,000 shares authorized, 100 issued and outstanding	100	100
Retained earnings	477,064	503,290
Net unrealized gains (losses) on marketable securities	28,277	70,308
Total Liabilities and Stockholders' Equity	<u><u>505,440</u></u>	<u><u>573,698</u></u>
	<u><u>\$505,440</u></u>	<u><u>\$596,445</u></u>

The accompanying notes are an integral part of these statements

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**

	For the years ended December 31,	
	2004	2003
<b>REVENUES</b>	\$50,003	\$225,219
<b>EXPENSES</b>		
Salaries and wages	-	90,000
Consulting and Research fees	12,500	61,150
Retirement plan contribution	-	22,500
Taxes and licenses	775	7,696
Office expense	2,822	4,185
Telephone	5,968	5,993
Rent	4,800	4,448
Legal and accounting	4,125	4,177
Travel	1,729	3,497
Meals and Entertainment	757	282
Miscellaneous expense	2,052	2,569
Insurance	-	680
Dues and publications	1,532	2,117
	37,059	209,294
<b>Total Expenses</b>		
	12,944	15,925
<b>OPERATING INCOME (LOSS)</b>		
<b>OTHER INCOME (EXPENSE)</b>		
Dividends and interest	3,231	4,715
Gain /(Loss) on sale of securities	(3,706)	1,109
	12,470	21,749
<b>NET INCOME</b>		
<b>RETAINED EARNINGS, BEGINNING</b>	503,290	486,714
Shareholder distributions	(38,696)	(5,173)
	\$477,064	\$503,290
<b>RETAINED EARNINGS, ENDING</b>	\$477,064	\$503,290

The accompanying notes are an integral part of these statements

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**STATEMENT OF CASH FLOWS**

	For the years ended December 31,	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$12,470	\$21,749
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
(Gain) / Loss on Sale of Marketable Securities	3706	(1110)
Changes in operating assets and liabilities:		
Increase(decrease) in accrued expenses	(22,747)	191
Net cash provided (used) by operating activities	(6,571)	20,830
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale and maturity of investments	8,694	349,127
Purchase of investments	(314,492)	(361,430)
Net cash provided (used) by investing activities	(305,798)	(12,303)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in amount due to officer	-	(23,422)
Shareholder distributions	(38,696)	(5,173)
Net cash provided (used) by financing activities	(38,696)	(28,595)
<b>NET INCREASE (DECREASE) IN CASH</b>	(351,065)	(20,068)
Cash and cash equivalents at beginning of year	427,255	447,323
Cash and cash equivalents at end of year	\$76,190	\$427,255

**SUPPLEMENTAL DISCLOSURES**

Cash paid during the year for:

Interest expense	\$0	\$0
Income taxes	0	0

**DISCLOSURE OF ACCOUNTING POLICY**

For purposes of the statement of cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these statements

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 AND 2003**

**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of operations**

The company generates its revenues by identifying private debt and private equity transactions for institutional investors and by introducing lenders to operating companies.

**Property and equipment**

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized.

**Income taxes**

The company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the company does not pay federal and state corporate income taxes on its taxable income, nor is it allowed a net operating loss carryover or carryback as a deduction. Instead, the shareholders are liable for individual federal and state income taxes on their respective shares of the company's net income/(loss) for the period.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

## NOTE 2-MARKETABLE DEBT AND EQUITY SECURITIES

Cost and fair value of marketable debt and equity securities at December 31, 2004 and 2003 are as follows:

	<u>Cost</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Fair Value</u>
December 31, 2003				
Available for Sale Securities	<u>\$ 86,082</u>	<u>\$ 70,308</u>	<u>\$ -0-</u>	<u>\$ 156,390</u>
December 31, 2004				
Available for Sale Securities	<u>\$ 400,573</u>	<u>\$ 28,277</u>	<u>\$ -0-</u>	<u>\$ 428,850</u>

The company uses the first-in, first-out (FIFO) method to determine the cost when calculating gains and losses on sales of marketable securities. Gross realized losses on sales of securities available for sale were \$3,706 and gains of \$1,109 in 2004 and 2003 respectively. Unrealized holding gains on securities available for sale in the amount of \$28,277 and \$70,308 have been credited to stockholder's equity for the years ended December 31, 2004 and 2003 respectively.

## NOTE 3-RETIREMENT PLAN

The company has a SEP Plan covering its sole employee. The company may contribute up to 25% of eligible compensation for 2004 and 2003, not to exceed certain established statutory limits. Contributions in the amount of \$22,500 were made for the year ended December 31, 2003.

## NOTE 4-EXEMPTION FROM RULE 15c3-3

The company is registered with the Securities and Exchange Commission as a broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934. The company operates under the exemptive provisions (k)(2)(i) of Rule 15c3-3 and therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

#### **NOTE 5-NET CAPITAL REQUIREMENT**

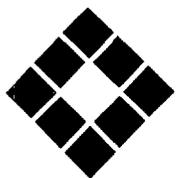
The company, as a registered broker-dealer, is subject to the Securities and Exchange Commission's Uniform Net Capital Rule. This rule requires that the company maintain minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3 percent of aggregate indebtedness, as defined. The rule also requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2004 and 2003, the company had net capital of \$484,217 and \$528,768. These amounts exceeded the required net capital by \$479,217 and \$523,768 respectively. The company's aggregate indebtedness to net capital was 0.00 and 0.04 to 1 for the years ended December 31, 2004 and 2003.

**SUPPLEMENTARY INFORMATION**

**SOUTH ATLANTIC ENTERPRISES, INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 of**  
**THE SECURITIES and EXCHANGE COMMISSION**

	For the years ended December 31,	
	2004	2003
<b>TOTAL STOCKHOLDERS' EQUITY</b>	\$505,440	\$573,698
<b>DEDUCTIONS and / or CHANGES</b>		
Non-allowable assets	0	(12,400)
<b>TENTATIVE NET CAPITAL</b>	\$505,440	\$561,298
Haircut on securities	(21,223)	(32,530)
<b>NET CAPITAL</b>	\$484,217	\$528,768
<b>AGGREGATE INDEBTNESS</b>		
Accrued expenses and other current liabilities	\$0	\$22,747
<b>PERCENTAGE OF AGGREGATE INDEBTNESS TO NET CAPITAL</b>	0.00%	4.30%
<b>MINIMUM NET CAPITAL REQUIRED</b>	5,000	5,000
<b>EXCESS OF NET CAPITAL OVER MINIMUM REQUIRED</b>	\$479,217	\$523,768
<b>RECONCILIATION with COMPANY'S COMPUTATION in PART II of FORM X-17A-5 as of DECEMBER 31, 2004 and 2003:</b>		
<b>Net capital as reported in Company's Part II:</b>		
Unaudited Focus Report	\$484,473	\$541,028
Employer SEP contribution		(22,500)
Audit adjustment for accrued and other expenses	(256)	10,240
<b>NET CAPITAL PER ABOVE</b>	\$484,217	\$528,768

The accompanying notes are an integral part of these statements



# Rosenthal & Kaplin, P.C.

Certified Public Accountants

To the Board of Directors  
South Atlantic Enterprises, Inc.:

**Carl R. Rosenthal, C.P.A., P.F.S.**

**Stuart P. Rosenthal, C.P.A.**

**Jeffrey L. Kaplin, C.P.A.**

**Sam M. Levy, C.P.A.**

In planning and performing our audit of the financial statements of South Atlantic Enterprises, Inc. for the year ended December 31, 2004, we considered its internal control structure 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 structure.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by South Atlantic Enterprises, Inc. 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 South Atlantic Enterprises, Inc. 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 South Atlantic Enterprises, Inc. 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 Reserves System.

The management of South Atlantic Enterprises, Inc. is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 an internal control structure and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which South Atlantic Enterprises, Inc. 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

**7100 Peachtree Dunwoody Road**

**Suite 200**

**Atlanta, Georgia 30328**

**(770) 551 8665**

**◆ Fax (770) 551 5868**

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure 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 South Atlantic Enterprises, Inc.'s practices and procedures were adequate at December 31, 2004 to meet the SEC objectives.

This report is intended solely for the use of the shareholders, management, the SEC, the 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 should not be used for any other purpose.



February 28, 2005

**SOUTH ATLANTIC ENTERPRISES, INC.**

FINANCIAL STATEMENTS

with the

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2004 and 2003