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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**Berchwood Partners LLC**

OFFICIAL USE ONLY  
FIRM ID. NO.

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

**650 Fifth Avenue, 28th Floor**  
(No. and Street)

**New York, NY**

**10019**

(City)

(State)

(Zip Code)

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

**David W. Berchenbriter**

**212/830-9333**

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

**Anchin, Block & Anchin LLP**

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

**1375 Broadway, New York, NY**

**10018**

(Address)

(City)

(Zip Code)

CHECK ONE:

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

PROCESSED  
MAR 15 2002  
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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).

3/14

OATH OR AFFIRMATION

I, David W. Berchenbriter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Berchwood Partners LLC, as of December 31, 2001, 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:

None

WILLIAM J. ZWART  
Notary Public, State of New York  
No. 02ZW6017634  
Qualified in New York County  
Commission Expires: 12/14/02

[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 ~~Financial Condition~~ **Operations**
- (d) Statement of Changes in ~~Financial Condition~~ **Cash Flows**
- (e) Statement of Changes in ~~Stockholders' Equity~~ **Members Equity**
- (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 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).



**Anchin, Block & Anchin LLP**  
Accountants and Consultants

1375 Broadway  
New York, New York 10018  
(212) 840-3456  
FAX (212) 840-7066

## INDEPENDENT AUDITORS' REPORT

### **TO THE MEMBERS AND DIRECTORS OF BERCHWOOD PARTNERS LLC:**

We have audited the accompanying statements of financial condition of BerchWood Partners LLC as of December 31, 2001 and the related statements of operations, changes in members' 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 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 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 BerchWood Partners LLC at December 31, 2001 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.

*Anchin, Block & Anchin* LLP

New York, New York  
February 12, 2002

**BERCHWOOD PARTNERS LLC**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2001**

**ASSETS**

Cash	\$	39,678
Property and equipment at cost, less accumulated depreciation and amortization of \$6,791- Note 1		18,041
Other assets		<u>13,898</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>71,617</u></b>

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES:**

Accrued expenses	\$	15,158
Profit sharing contribution payable		<u>10,000</u>
Total Liabilities		25,158

**COMMITMENTS AND CONTINGENCIES - NOTE 5**

<b>MEMBERS' EQUITY</b>		<u>46,459</u>
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<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$</b>	<b><u>71,617</u></b>
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See the accompanying Notes to the Financial Statements.

**BERCHWOOD PARTNERS LLC**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2001**

**FEE INCOME** **\$ 331,109**

**EXPENSES:**

Employee compensation and benefits **\$ 108,505**

Regulatory expenses 10,349

Communications and computer expenses 49,854

Occupancy 32,500

Consulting and professional fees 27,255

Other expenses 41,703

Total Expenses **270,166**

**NET INCOME** **\$ 60,943**

See the accompanying Notes to the Financial Statements.

**BERCHWOOD PARTNERS LLC**

**STATEMENT OF CHANGES IN MEMBERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2001**

Members' Equity, January 1, 2001	\$	5,516
Contributions		20,000
Distributions		(40,000)
Net income		<u>60,943</u>
Members' Equity, December 31, 2001	\$	<u>46,459</u>

See the accompanying Notes to the Financial Statements.

**BERCHWOOD PARTNERS LLC**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2001**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income \$ 60,943

Adjustments to reconcile net income to net cash  
provided by operating activities:

Depreciation and amortization \$ 5,922

Increase in other assets (13,898)

Increase in accrued expenses 24,091

Total adjustments 16,115

Net Cash Provided by Operating Activities 77,058

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchases of property and equipment (17,380)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Contributions from members 20,000

Distributions to members (40,000)

Net Cash Used in Financing Activities (20,000)

**NET INCREASE IN CASH 39,678**

**CASH:**

Beginning of year -

End of year \$ 39,678

See the accompanying Notes to the Financial Statements.

## BERCHWOOD PARTNERS LLC

### NOTES TO THE FINANCIAL STATEMENTS

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

##### Organization:

BerchWood Partners LLC (the "Company") was organized in New York on June 8, 2000, as a limited liability company.

##### Principal Business Activity:

The Company is a registered broker with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company primarily raises capital for private equity and alternative U.S. and non-U.S. investment fund managers.

##### Financial Statement Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles may require 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Revenue and Expense Recognition:

The Company receives fees for acting as a placement agent. Non-refundable retainers for performance of these services are recognized as they become due. Additional fees for successful placement are recognized when the transaction closes.

Advertising costs are expensed as incurred. Advertising expense was \$305 for the year ended.

##### Property and Equipment:

Property and equipment are stated at cost. Depreciation and amortization are computed on straight-line and accelerated methods over the estimated useful lives of the assets.

##### Income Taxes:

No provision is required for federal or state taxes on the income of the Company. Under the Internal Revenue Code and similar state regulations the Company is treated as a partnership; accordingly, the income of the Company is taxed to the members.

**BERCHWOOD PARTNERS LLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS:**

The Company is not required to maintain a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission under Section K(2)ii of the Rule.

**NOTE 3 - 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 minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (8 to 1 within the first twelve months of operations).

At December 31, 2001 the company had net capital of \$14,520, which was \$9,520 in excess of its required minimum net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 1.73 to 1.

**NOTE 5 - COMMITMENTS AND CONTINGENCIES:**

Leases:

The Company rents its office space under operating leases expiring in 2004. These leases have escalation clauses that provide for additional rentals based on increases in real estate taxes and operating costs. Total rent expense was \$32,500 for the year.

Future minimum lease payments under a noncancellable operating lease as of December 31, 2001 are as follows:

2002	\$30,000
2003	30,000
2004	<u>13,750</u>
	<u>\$73,750</u>

**NOTE 6 - PROFIT-SHARING PLAN:**

The Company maintains a profit sharing plan which covers all eligible employees. Employer contributions are discretionary and a \$10,000 contribution was provided for the year.

**INDEPENDENT AUDITORS' REPORT**

**ON**

**SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**

**TO THE MEMBERS AND DIRECTORS OF  
BERCHWOOD PARTNERS LLC:**

We have audited the accompanying financial statements of BerchWood Partners LLC as of December 31, 2001 and have issued our report thereon dated February 12, 2002. 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 schedule 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 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.

New York, New York  
February 12, 2002

**BERCHWOOD PARTNERS LLC**

**COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM NET CAPITAL  
RULE 15c3-1 AND RECONCILIATION OF THE COMPUTATION OF NET CAPITAL  
PURSUANT TO UNIFORM NET CAPITAL RULE 15c3-1 INCLUDED IN THE  
COMPANY'S CORRESPONDING UNAUDITED FORM X-17A-5 PART IIA FILING  
WITH COMPUTATION INCLUDED IN THE REPORT PURSUANT TO RULE 17a-5(d)**

**AS OF DECEMBER 31, 2001**

TOTAL MEMBERS' EQUITY QUALIFIED FOR NET CAPITAL	\$ 46,459
NONALLOWABLE ASSETS	<u>31,939</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITIONS	14,520
HAIRCUTS ON SECURITIES	<u>-</u>
NET CAPITAL	14,520
MINIMUM NET CAPITAL REQUIREMENT OF 6 2/3% OF AGGREGATE INDEBTEDNESS OF \$25,158 OR \$5,000 WHICHEVER IS GREATER	<u>5,000</u>
EXCESS NET CAPITAL	<u><u>\$ 9,520</u></u>
RECONCILIATION WITH COMPANY'S COMPUTATION (INCLUDED IN PART II OF FORM X-17A-5 AS OF DECEMBER 31, 2001)	
NET CAPITAL, AS REPORTED IN COMPANY'S PART II UNAUDITED FOCUS REPORT	\$ 14,549
DIFFERENCES DUE TO AUDIT ADJUSTMENTS	<u>29</u>
NET CAPITAL, PER REPORT PURSUANT TO RULE 17a-5(d)	<u><u>\$ 14,520</u></u>
TOTAL AGGREGATE INDEBTEDNESS	<u><u>\$ 25,158</u></u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u><u>1.73 to 1</u></u>

See Independent Auditors' Report on Supplementary Information.

**BERCHWOOD PARTNERS LLC**

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**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**

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**BERCHWOOD PARTNERS LLC**

**REPORT INDEX**

**DECEMBER 31, 2001**

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**BERCHWOOD PARTNERS LLC**

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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL ACCOUNTING CONTROL**

**YEAR ENDED DECEMBER 31, 2001**

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*Established 1923*

**Anchin, Block & Anchin LLP**  
Accountants and Consultants

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New York, New York 10018  
(212) 840-3456  
FAX (212) 840-7066

**INDEPENDENT AUDITORS' REPORT ON**  
**INTERNAL ACCOUNTING CONTROL BY**  
**SEC RULE 17a-5**

**BOARD OF DIRECTORS**  
**BERCHWOOD PARTNERS LLC:**

In planning and performing our audit of the financial statements of BerchWood Partners LLC (the "Company") for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, 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 and Exchange Commission (the "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 and net capital under Rule 17a-3(a)(11) and for determining compliance with the provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13, or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Company 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 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, 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) list additional objectives of the practices and procedures listed in the preceding paragraph.

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 practices and procedures may become inadequate because of changes in conditions or that the effectiveness of their design and operation of policies and procedures 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, including procedures 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 and 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, 2001 to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of BerchWood Partners LLC to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of broker dealers and is not intended and should not be used for anyone other than these specified parties.

*Anchin, Block & Anchin* LLP

New York, New York  
February 12, 2002