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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

FACING PAGE

Information Required of Brokers and Dealers
Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

8

8-50126

REPORT FOR THE PERIOD BEGINNING 01/01/01 (MM/DD/YY) AND ENDING 12/31/01 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

StoneGate Partners, LLC

SEC MAIL PROCESSING SECTION
RECEIVED
MAR 01 2002
WASH, D.C.
334

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

401 Edgewater Place, Suite 120
(No. and Street)

Wakefield	MA	01880
(City)	(State)	(Zip Code)

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

Brian W. Bernier, Managing Director — 617-330-9009 ext 328
(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

(ADDRESS)	99 High Street	Boston	MA	02110-2371
	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.

PROCESSED
MAR 26 2002
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).*

Vf 3-22-02

OATH OR AFFIRMATION

I, Brian W. Bernier, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of StoneGate Partners, LLC as of February 22, 2002 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:].

Name Brian W. Bernier
Title Managing Director

Notary Public

J. BARRY CLAYMAN
Notary Public
Commonwealth of Massachusetts
My Commission Expires
May 20, 2005

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
X	(i)	Information Relating to the Possession or Control Requirements Under Rule 15c3-3
X	(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
X	(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

99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800

Independent Auditors' Report

The Board of Directors and Members
StoneGate Partners, LLC:

We have audited the accompanying statement of financial condition of StoneGate Partners, LLC (the Company) 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 StoneGate 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.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the financial statements, the Company has experienced a significant slowdown in new deal flow due to the difficulties in the private placements market, which raises substantial doubt about its ability to continue as a going concern. Management's plan with regard to these matters is also described in note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was conducted 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 our 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

February 22, 2002

STONEGATE PARTNERS, LLC

Statement of Financial Condition

December 31, 2001

Assets

Cash and cash equivalents	$	22,150
Marketable securities owned, at fair value (note 3)		355,672
Accounts receivable		47,008
Employee loan (note 11)		16,594
Securities owned – not readily marketable, at fair value (note 4)		1,965,209
Other assets		31,203
Note receivable, net of allowance for doubtful accounts of $28,045 (note 5)		27,955
Fixed assets, net (note 6)		51,606
Total assets	$	2,517,397

Liabilities and Members' Equity

Liabilities:		
Accounts payable accrued expenses and other liabilities (note 10)	$	217,392
Commitments and contingencies (notes 2, 8, 10, and 14)		
Members' equity (notes 7 and 9):		
Class A shares, no par value, 20,000,000 shares authorized, 8,406,183 shares issued and outstanding		3,359,174
Class B shares, no par value, 20,000,000 shares authorized, 9,719,921 shares issued and outstanding		305,512
Accumulated deficit		(1,364,681)
Total members' equity		2,300,005
Total liabilities and members' equity	$	2,517,397

See accompanying notes to financial statements.

STONEGATE PARTNERS, LLC

Statement of Operations

Year ended December 31, 2001

Revenues:		
Commissions from private placements	$	540,798
Advisory services and referral fees		17,151
Interest and dividends		146,474
Total revenues		704,423
Expenses:		
Employee compensation and benefits		446,903
Regulatory fees and expenses		23,502
Occupancy, net		191,816
Legal fees		87,760
Telephone expenses		66,564
Other expenses		162,619
Provision for doubtful accounts		3,045
Total expenses		982,209
Net operating loss		(277,786)
Net realized and unrealized gains and losses on securities:		
Net realized gains and losses on securities held		(388,547)
Net unrealized gains and losses on securities held		(531,215)
Net realized and unrealized loss on investments		(919,762)
Net loss	$	(1,197,548)

See accompanying notes to financial statements.

STONEGATE PARTNERS, LLC

Statement of Changes in Members' Equity

Year ended December 31, 2001

	Class A shares	Class B shares	Class A amount	Class B amount	Accumulated deficit	Total
Pre-recap balance at December 31, 2000	—	10,407,888	$ —	4,018,537	(167,133)	3,851,404
Profits interest shares issued	—	998,295	—	—	—	—
Shares converted to Class A due to recapitalization	11,406,183	(11,406,183)	4,018,537	(4,018,537)	—	—
Class B shares issued and distribution due to recapitalization (note 9)	—	4,850,817	(305,512)	305,512	—	— —
Class B founders and profits interest shares issued due to recapitalization	—	4,869,104	—	—	—	— —
Shares redeemed	(3,000,000)	—	(25,000)	—	—	(25,000)
Distributions of capital	—	—	(328,851)	—	—	(328,851)
Net loss	—	—	—	—	(1,197,548)	(1,197,548)
Totals	8,406,183	9,719,921	$ 3,359,174	305,512	(1,364,681)	2,300,005

See accompanying notes to financial statements.

STONEGATE PARTNERS, LLC

Statement of Cash Flows

Year ended December 31, 2001

Cash flows from operating activities:		
Net loss	$	(1,197,548)
Adjustments to reconcile net loss to net cash used in operating activities:		
Realized loss on investments		388,547
Depreciation		24,816
Provision for doubtful accounts		3,045
Securities received for services rendered		(169,380)
Loss on disposal of fixed assets		31,841
Net unrealized depreciation of securities		531,215
Change in operating assets and liabilities:		
Accounts receivable		(46,008)
Loans receivable		(917)
Other assets		(10,428)
Accounts payable, accrued expenses, and other liabilities		(125,954)
Net cash used in operating activities		(570,771)
Cash flows from investing activities:		
Purchase of marketable securities owned		(32,603)
Purchase of securities owned – not readily marketable		(200,000)
Sale of marketable securities owned		680,000
Sale of securities – not readily marketable		200,000
Securities owned – not readily marketable – return of capital		149,292
Purchase of fixed assets		(1,058)
Proceeds from repayment of employee loan		7,852
Net cash provided by investing activities		803,483
Cash flows from financing activities:		
Distributions from capital		(328,851)
Net cash used in financing activities		(328,851)
Net decrease in cash		(96,139)
Cash and cash equivalents, beginning of year		118,289
Cash and cash equivalents, end of year	$	22,150
Supplemental disclosures of non-cash transactions:		
Note payable for shares redeemed	$	25,000

See accompanying notes to financial statements.

STONEGATE PARTNERS, LLC

Notes to Financial Statements

December 31, 2001

(1) Organization and Significant Accounting Policies

(a) Organization

StoneGate Partners, LLC (the Company) was formed on March 21, 1997, as a Massachusetts limited liability company and commenced operations on June 2, 1997. The Company is registered under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the National Association of Securities Dealers. The Company's primary business activities are acting in a placement agency capacity in larger syndicates for the private placements of securities. In addition, the Company markets securities of emerging growth privately held companies, located in the United States.

(b) Basis of Presentation

The Company is engaged in a single line of business as a securities broker-dealer, which comprises one class of service, which is to act as placement agent in private securities transactions.

(c) Revenue Recognition

The Company receives commissions for acting as placement agent for private financings. The Company recognizes commission revenue at the time the placement is completed. The Company may receive a combination of cash and securities as compensation for services rendered. For the portion of the commission paid in securities, the Company records revenue for the estimated fair value of securities received. During 2001 the Company received securities for services rendered with an estimated fair value of $169,380.

Advisory services are recognized as earned over the term of the contract.

(d) Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(e) Investments

Investments in mutual funds are valued at the closing net asset value on the last business day of the year. Investments for which no readily ascertainable market value exists or for which there are no market quotations available, comprising 85.4% of members' equity, are valued at fair value as determined by Management. In determining fair value, Management takes into consideration the financial condition and operating results of the portfolio company, the amount that Management can reasonably expect to realize upon the sale of the securities which it holds and any other factors deemed relevant by Management. Because of the inherent uncertainty of valuations, estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

(f) Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Expenditures for maintenance and repairs are generally charged to expense as incurred. Depreciation is provided on a straight-line basis using estimated useful lives of three to ten years.

(Continued)

(g) Income Taxes

No provision for federal or state income taxes is presented in these financial statements as the Company is a limited liability company which is taxed as a partnership and, accordingly, its taxable income is allocated to its members for income tax reporting purposes.

(h) Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the general partner to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures 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. Material estimates particularly susceptible to change relate to securities owned – not readily marketable.

(2) Liquidity

The Company's viability as a going concern is dependent upon its ability to generate commissions from acting as placement agent for private financings. In light of the continued market downturn, increased volatility and the slowdown in the Initial Public Offering market, StoneGate's sources of deal flow has significantly slowed. In response to the aforementioned factors, the Company has been taking steps to reduce operating costs to permit continued operations while exploring new sources for deal flow. There can be no assurance that the Company's efforts will be successful, making it necessary to undertake such other actions as may be appropriate to preserve asset values.

(3) Marketable Securities

The following is a summary of available for sale securities as of December 31, 2001:

Fidelity Short-Term Bond Fund	$	355,672

STONEGATE PARTNERS, LLC

Notes to Financial Statements

December 31, 2001

(4) Securities Owned—Not Readily Marketable

As of December 31, 2001, the Company holds the following securities that are not readily marketable as there is no market on a securities exchange or no independent publicly quoted market. Cost of securities is determined by 1) the cash paid for securities at purchase, or 2) one-half of strike price for warrants and one-third of strike price for step notes with warrants, for securities received as consideration for services rendered.

Investment	Date acquired		Cost	Fair value
Actuality Systems, Inc. (1.1%)*				
25,000 Shares of Preferred Stock	Dec. 1999	$	25,000	25,000
AllergyBuyersClub.Com (0.0%)*				
8,889 Shares of Common Stock	Mar. 2000		89	89
By All Accounts (2.3%)*				
7,955 Series A Preferred Stock	Dec. 2000		52,086	52,086
EnvisioNet (0.7%)*				
Term Note with Warrants	Oct. 2000		69,416	6,942
Convertible Term Subordinated Note and Warrants for Purchase of Preferred Stock	Oct. 2000		100,000	10,000
Immunetics (1.1%)*				
87,896 Common Stock Purchase Warrants	Jul. 1998		—	—
147,059 Shares of Common Stock $.01 Par Value	Jul. 2000		25,000	25,000
Innovation Associates (14.0%)*				
60,000 Common Stock Purchase Warrants	Sep. 1999		109,886	7,818
140,000 Common Stock Purchase Warrants	Jul. 1999		47,094	18,242
233,250 Common Stock Purchase Warrants	Sep. 1999		78,092	89,405
74,700 Common Stock Purchase Warrants	Sep. 1999		25,010	28,633
197,250 Common Stock Purchase Warrants	Oct. 1999		66,039	75,606
208,950 Common Stock Purchase Warrants	Jan. 2000		104,475	104,475
Kairos Partners Fund (10.9%)*				
GP Interest	Jul. 2000/ Jan. 2001		42,620	42,620
LP Interest	Jul. 2000/ Jan. 2001		208,088	208,088

STONEGATE PARTNERS, LLC

Notes to Financial Statements

December 31, 2001

Investment	Date acquired		Cost	Fair value
Marathon Technology Corp. (6.7%)*				
2,538 Series E Convertible Preferred Stock	Jun. 2000	$	50,000	25,000
2,118 Common Stock Purchase Warrant	Aug. 1997		2,412	1,206
16,874 Series D Convertible Preferred Stock Purchase Warrants	Jun. 1998		67,208	33,604
19,561 Series D Convertible Preferred Stock Purchase Warrants	Dec. 1999		12,454	6,227
22,741 Common Stock Purchase Warrants	Apr. 2000		111,999	56,000
11,736 Common Stock Purchase Warrants	Apr. 2000		63,609	31,805
Maritel, Inc. (6.5%)*				
Step Note with Warrants into next preferred round	Aug. 2000		148,750	148,750
Nearlife, Inc. (1.1%)*				
10,416 Shares Series A Preferred Stock	Apr. 2000		25,000	25,000
Transcept, Inc. (1.7%)*				
69,300 Series B Convertible Preferred Stock: Common Warrant	Aug. 1999		34,985	26,867
10,354 Series B Convertible Preferred Stock: Common Warrant	Jan. 2000		4,350	4,350
Turbine Entertainment (27.2%)*				
34,070 Warrants for the Purchase of Series C Preferred Stock	Dec. 1998		60,345	63,728
14,843 Warrants for the Purchase of Series C Preferred Stock	Mar. 1999		26,291	27,764
36,239 Warrants for the Purchase of Series C Preferred Stock	Apr. 1999		64,190	67,785
30,404 Warrants for the Purchase of Series C Preferred Stock	Jun. 1999		53,855	56,871
18,180 Series C Convertible Preferred Stock: Warrants for the Purchase of Series C Stock	Dec. 1998		99,990	99,990
12,637 Bridge Financing with Warrants for the Purchase of Series C Preferred Stock	Dec. 1998		23,822	26,636
Term Note with Warrants into next equity	Feb. 2000		14,667	14,667
Term Note with Warrants into next equity	Mar. 2000		5,750	5,750
Term Note with Warrants into next equity	Apr. 2000		9,583	9,584
Unsecured Promissory Note with Warrants for the Purchase of Common Stock	Sep. 2000		8,751	8,751
Unsecured Promissory Note with Warrants for the Purchase of Common Stock	Oct. 2000		11,251	11,251
Unsecured Promissory Note with Warrants for the Purchase of Common Stock	Oct. 2000		11,000	11,000

STONEGATE PARTNERS, LLC

Notes to Financial Statements

December 31, 2001

Investment	Date acquired		Cost	Fair value
Turbine Entertainment (Cont'd)				
Unsecured Promissory Note with Warrants for the Purchase of Common Stock	Oct. 2000	$	17,499	17,499
Unsecured Promissory Note with Warrants for the Purchase of Common Stock	Oct. 2000		2,500	2,500
Unsecured Promissory Note with Warrants for the Purchase of Common Stock	Dec. 2000		34,833	34,833
19,205 Warrants for Purchase of Common Stock	Mar. 2001		55,502	55,502
22,647 Warrants for Purchase of Common Stock	Sept. 2001		65,450	65,450
Unsecured Promissory Note	Sept. 2001		56,050	56,050
Wakul (0.7%)*				
Term Note with Warrants into next equity round	Sep. 2000		68,253	6,825
Term Note with Warrants into next equity round	Jun. 2000		100,000	10,000
Wellbid, Inc. (Wellogix, Inc.) (11.4%)*				
Term Note with Warrants into next equity round	May 2000		36,750	36,750
Series C Convertible Preferred Stock	Aug. 2000		205,645	205,645
54,839 Warrants for Purchase of Series C Preferred Stock	Aug. 2000		20,565	20,565
Total (85.4%)*		$	2,526,205	1,965,209

* Fair value of investment as a percent of the Company's members' equity.

(5) Note Receivable

The Company entered into a unsecured promissory note in February 2000 in the amount of $50,000. The note accrues interest at a rate of 12% per annum, payable upon maturity and was due in February 2001. As of December 31, 2001, no payments had been received. As such, the Company has reserved $28,045 against the face value of the note and the unpaid accrued interest.

STONEGATE PARTNERS, LLC

Notes to Financial Statements

December 31, 2001

(6) Fixed Assets

Fixed assets consisted of the following:

		December 31, 2001
Computers and office equipment	$	77,297
Furniture and fixtures		40,818
		118,115
Less: accumulated depreciation		(66,509)
	$	51,606

(7) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital. As of December 31, 2001, the Company's net capital amounted to $128,420, of which $113,927 was in excess of its required net capital of $14,493.

SEC rule 15c3-1 also requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Company's aggregate indebtedness to net capital ratio as of December 31, 2001 was 1.69 to 1.

(8) Commitments

(a) Leases

The Company leases its office facility in Wakefield, Massachusetts under a noncancelable lease agreement expiring in September 2004. The Company commenced the lease in September upon termination of its lease in Boston, Massachusetts. The lease agreement requires a minimum monthly rental plus certain operating costs. During the year ended December 31, 2001, rent expense incurred by the Company, including operating costs, amounted to $207,816.

The future minimum lease payments due under the non-cancelable lease agreement as of December 31, 2001, are as follows:

Year ended December 31:		
2002	$	86,436
2003		86,436
2004		57,624
Total	$	230,496

Prior to moving to Wakefield, the Company was a party to a tenant-at-will sublease agreement for the rental of a portion of its Boston office facility. During the year ended December 31, 2001, the Company recognized rental income under this sublease agreement in the amount of $16,000.

(9) Members' Equity

(a) Class A and B Shares

As of December 31, 2001, the Company had 20,000,000 each of Class A and Class B shares authorized and 8,406,183 and 9,719,921 outstanding, respectively.

During the year ended December 31, 2001, the Company issued 998,295 profits interests shares to certain employees of the Company for no future consideration. Each profits interest share entitles the holder to a percentage of the Company's future annual net profits but the holder has no claims on any capital of the Company prior to their issuance nor any future contributions made by Class B members of the Company.

(b) Recapitalization

In January 2001, the Company undertook a restructuring of its operations in order to conserve operating cash and to redefine the focus of the Company. As such, two significant events took place. First, the majority of banking and operating staff were released from the Company, and one of the founding partners, resigned. Second, the Company began exploring a way to restructure the Company to allow a distribution-focused strategy for the ongoing operations of StoneGate while protecting the then-existing shareholders' claim to assets accumulated by the Company up to that point.

The restructuring resulted in a shareholder proxy and vote that was approved by shareholders on August 31, 2001. The shareholders approved a plan that 1) segregated the assets acquired by StoneGate prior to August 31, 2001 for the benefit of shareholders of record as of that same date; 2) established a priority return of principal capital to those shareholders that had paid cash for their shares from the future returns on the segregated assets; 3) allowed for the execution of a related agreement to terminate an ongoing relationship with, and future capital commitments to, Kairos Partners, LLP, a venture capital fund in which StoneGate had been both a General Partner and Limited Partner; and 4) made available $500,000 in cash as a first return of capital under the agreement.

In regard to 1) above, all shareholders with shares of record as of August 31, 2001, including both capital interest and profits interest shares, were converted into Class A shares, which entitle the holder to proceeds of the Class A assets, subject to the priority return order of payout to capital interest shareholders described in 2) above and in detail in the proxy materials dated August 24, 2001.

In regard to 4) above, shareholders were given the option to either a) receive 100% of their prorata share of the cash based on the priority return, b) receive one-half of their prorata cash and also receive additional Class B shares for ownership in the ongoing operations of StoneGate on a one-to-one basis with their existing, now Class A, shares, or c) convert 100% of their eligible prorata cash distribution into additional Class B shares on a two-to-one basis with their existing Class A shares.

As a result of approval of the restructuring plan in general by a majority of shareholders, and of individual elections to receive cash and/or additional Class B shares, the Company paid a cash distribution of $194,488 and issued an additional 4,850,817 Class B shares to existing capital interest Class A shareholders. The remaining founders shares and profits interest shares converted into Class B shares on a one-to-one basis. The resigned Partner's Founder's shares were retired in exchange for a note from the Company for $25,000. The Company expects to retire the note payable in 2002. The Class B shares entitle the holder to the economic performance of StoneGate and the assets the Company may acquire from September 1, 2001 forward.

(10) Accounts Payable, Accrued Expenses, and Other Liabilities

Accounts payable, accrued expenses, and other liabilities consists of the following at December 31, 2001:

Accounts payable	$	24,257
Accrued professional services		30,000
Commissions payable		138,135
Short-term note payable		25,000
	$	217,392

(11) Related-Party Transaction

The Company has a loan receivable in the amount of $16,594 to a former employee, who is currently a consultant to the Company. The loan accrues interest at a rate of 10% and is payable in full to the Company upon maturity in October 2003. Payments are received monthly according to a defined amortization schedule. At December 31, 2001, all payments were current.

(12) Employee Benefit Plan

The Company has a defined contribution plan under Section 401(k) of the Internal Revenue Code to provide retirement benefits covering substantially all full-time employees. The Company is able to make discretionary contributions to qualified plan participants up to IRS limits. The Company made no such contributions in the year ended December 31, 2001.

(13) Subsequent Event

The Company received a distribution from the Kairos Partners Fund in the amount of $306,089 in January 2002. Of this amount, the Company distributed $275,480 to Class A shareholders. The remaining amounts were retained in a separate bank account for the benefit of Class A shareholders. The amounts are retained to pay expenses attributable to Class A shareholders.

(14) Contingencies

The Company has received a comment letter from the SEC dated January 14, 2002 noting certain reporting and control deficiencies. The Company has taken corrective action on all items and informed the SEC of such in its response dated February 12, 2002. Although the Company has not received a response from the SEC, it has received advice from legal counsel that management's response was appropriate and the remedial steps the Company has taken are adequate.

Schedule I

STONEGATE PARTNERS, LLC

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

December 31, 2001

Net capital:		
Total members' equity	$	2,300,005
Deduct nonallowable assets:		
Securities owned – not readily marketable		1,965,209
Accounts receivable		47,008
Affiliate loan		16,594
Other assets		31,203
Note receivable, net of allowance		27,955
Fixed assets, net of accumulated depreciation		51,606
		2,139,575
Haircut: 9% on marketable securities owned		32,010
Net capital	$	128,420
Aggregate indebtedness	$	217,392
Computation of basic net capital requirement:		
Minimum net capital required: 6 2/3% of total aggregate indebtedness, but not less than $5,000	$	14,493
Excess of net capital at 1500%	$	113,927
Excess of net capital at 1000%	$	106,681
Ratio of aggregate indebtedness to net capital		1.69 to 1

Reconciliation with StoneGate, LLC computation included in Part II of Form X-17A-5 as of December 31, 2001:

Net capital, as reported in the Company's Part II (unaudited) FOCUS report:	$	160,378
Adjustments made to correct financial statements:		
Cash		15,037
Receivables from others		51,745
Investments not readily marketable		(784,177)
Property, furniture, and equipment		(56,657)
Accounts payable and accrued liabilities		(46,995)
Adjust reported nonallowable assets:		
Receivables from others		(51,745)
Securities owned - not readily marketable		784,177
Property, furniture, and equipment		56,657
Net capital per above	$	128,420

99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800

Supplemental Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5

The Board of Directors and Members
StoneGate Partners, LLC:

In planning and performing our audit of the financial statements and supplemental schedule of StoneGate Partners, LLC (the Company) for the year ended December 31, 2001, 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 compliance with 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 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, and (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 accounting principles generally accepted in the United States of America. 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

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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 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, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use of the board of directors, management, the SEC and other regulatory agencies which 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

February 22, 2002