

VA
4-11-02

UN
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20542
02021785



CM

OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1999
Estimated average burden hours per response . . . 12.00

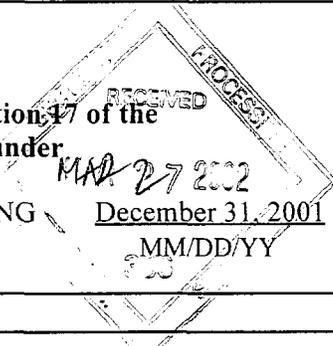
ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-48899

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING January 1, 2001 AND ENDING December 31, 2001
MM/DD/YY MM/DD/YY



A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
DN Partners, LLC

OFFICIAL USE ONLY

FIRM ID NO.

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

(No. and Street)

Chicago IL 60601
(City) (State) (Zip Code)

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

John E. Dancewicz (312) 332-7979
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this report*

Faircloth & Associates, LLC

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

711 South Dearborn Street - Suite 206 Chicago IL 60605
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

PROCESSED
APR 12 2002
THOMSON
FINANCIAL

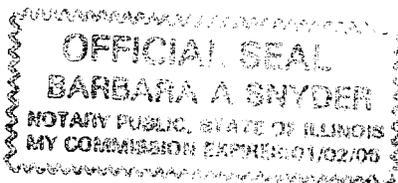
AFFIRMATION

I, John E. Dancewicz, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedules pertaining to the firm of DN Partners, LLC as of December 31, 2001, are true and correct. I further 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.

Signature:

DN MANAGEMENT SERVICES CORP.

John E. Dancewicz
John E. Dancewicz, PRESIDENT
Managing Member of DN Partners, LLC



Barbara A. Snyder
Notary Public

march 25, 2002

DN PARNERTS, LLC

TABLE OF CONTENTS

This report contains (check all applicable boxes):

- (x) Independent Auditor's Report
- (x) (a) Facing Page
- (x) (b) Statement of Financial Condition
- (x) (c) Statement of Operations
- (x) (d) Statement of Cash Flows
- (x) (e) Statement of Changes in Member's Capital
- () (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors (Not Applicable)
- (x) Notes to Financial Statements
- (x) (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934
- (x) (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934
- () (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934 (Not Applicable)
- () (j) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Rule 15c3-3 (Not Required)
- () (k) a Reconciliation Between the Audited and Unaudited Statements of Financial Condition With Respect to Methods of Consolidation (Not Applicable)
- (x) (l) An Oath or Affirmation
- () (m) Copy of the SIPC Supplemental Report (Not Required)
- (x) (n) A Report Describing Any Material Inadequacies Found to Exist or Found to Have Existed Since the Date of the Previous Audit (Supplemental Report on Internal Control)

FAIRCLOTH & ASSOCIATES, LLC

ACCOUNTANTS AND AUDITORS
FINANCIAL SERVICES

711 SOUTH DEARBORN STREET
CHICAGO, ILLINOIS 60605

INDEPENDENT AUDITOR'S REPORT

To the Members
DN Partners, LLC

We have audited the accompanying statement of financial condition of DN Partners, LLC as of December 31, 2001, and the related statements of income, changes in members equity and cash flows for the year 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 DN Partners, LLC as of December 31, 2001, and its results of operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit has been made primarily for the purpose of expressing an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is 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.

Faircloth & Associates, LLC

Chicago, Illinois
March 8, 2002

DN PARTNERS, LLCStatement of Financial Condition
December 31, 2001ASSETS

Cash and cash equivalents	\$	507,302
Accounts receivable		118,443
Other Assets		<u>3,300</u>
<u>Total Assets</u>	\$	<u>629,045</u>

LIABILITIES AND MEMBERS' CAPITAL

Accounts payable and accrued expenses	\$	46,371
Commitments and contingent liabilities (Note 5)		
Members' capital		<u>582,674</u>
<u>Total Liabilities and Members' Capital</u>	\$	<u>629,045</u>

The accompanying notes are an integral part of this financial statement.

DN PARTNERS, LLCStatement of Income
for the Year ended December 31, 2001

Revenues

Management advisory fees	\$	1,216,329
Interest income		18,864
Other income		45,290
		<hr/>
<u>Total Revenues</u>	\$	1,280,483

Expenses

Compensation and benefits	\$	287,870
Rent and occupancy		228,390
Professional fees		163,010
Management fees		120,000
Travel and entertainment		123,314
Communications		38,707
Bad debt		23,000
General and administrative		176,493
		<hr/>
<u>Total Expenses</u>	\$	1,160,784
		<hr/>
Net Income	\$	119,699
		<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

DN PARTNERS, LLCStatement of Changes in Members' Equity
for the Year ended December 31, 2001

Members' capital, beginning of year	\$	965,928
Net income for the year ended December 31, 2001		119,699
Members' withdrawals		<u>(502,953)</u>
Members' equity, end of year	\$	<u>582,674</u>

The accompanying notes are an integral part of this financial statement.

DN PARTNERS, LLC

Statement of Cash Flows
for the Year ended December 31, 2001

Cash provided by (applied to) operating activities	
Net income	\$ 119,699
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	14,661
Changes in operating assets and liabilities	
Accounts receivable	(118,228)
Other assets	0
Accounts payable and accrued expenses	30,132
	<hr/>
Net cash provided by operating activities	\$ 46,264
	<hr/>
Cash provided by (applied to) investing activities	
Acquisition of equipment	\$ (14,661)
	<hr/>
Net cash applied to investing activities	\$ (14,661)
	<hr/>
Cash provided by (applied to) financing activities	
Distributions to members	\$ (502,953)
	<hr/>
Net cash applied to financing activities	\$ (502,953)
	<hr/>
Net decrease in cash	\$ (471,350)
Cash and cash equivalents at January 1, 2001	978,652
	<hr/>
Cash and cash equivalents at December 31, 2001	\$ 507,302
	<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

DN PARTNERS, LLC

Notes to Financial Statements
December 31, 2001

NOTE 1 - ORGANIZATION

DN Partners, LLC ("the Company") is a registered securities broker-dealer with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers. The Company, an Illinois Limited Liability Corporation, is a merger and acquisitions advisory firm that engages in buying and selling companies and provides private placement of private securities.

NOTE 2 - SUMMARY OF SIGNIFICANT POLICIES

Management's Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash and Cash Equivalents - Cash and cash equivalents include cash on deposit and money market investments.

Income Taxes - The Company is treated as a partnership under the Internal Revenue Code. The Company allocates taxable income or loss to the Members of the Company, who are responsible for reporting the taxes thereon. Accordingly, no income tax provision has been included in the determination of net income.

NOTE 3 - NET CAPITAL REQUIREMENT

The Company, as a registered broker and dealer, is subject to the Uniform Net Capital Rule ("Rule 15c3-1") under the Securities Exchange Act of 1934 and is required to maintain "minimum net capital" equal to the greater of \$5,000 or 6-2/3% of "aggregate indebtedness," as these terms are defined.

At December 31, 2001, the Company had net capital, as defined, of \$460,931 which was \$455,931 in excess of its required net capital.

DN PARTNERS, LLC

Notes to Financial Statements (Concluded)
December 31, 2001

NOTE 4 - RELATED PARTY TRANSACTIONS

In 2001, the Company paid \$120,000 to DN Management Services Corporation, affiliated company, for administrative and support services.

The Company provides office space and facilities to DN Management Services Corporation and DN Partners, LP.

NOTE 5 - COMMITMENTS AND CONTINGENT LIABILITIES

The Company has entered into a noncancelable lease for its office premises which expired in August 2001. The Company is negotiating an extension of the lease until September 30, 2004. Pending the completion of negotiations the Company occupies the premises on a month to month basis with a base rent of \$10,000 per month. Rent expense under operating leases for the year ended December 31, 2001 was \$211,679 and is included in rent and occupancy expense.

There are no contingent liabilities at December 31, 2001

DN PARTNERS, LLC

SUPPLEMENTARY INFORMATION

PURSUANT TO RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934

AS OF DECEMBER 31, 2001

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

Broker or Dealer DN Partners, LLC	as of 12/31/01
--	-----------------------

COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition - Item 1800)		\$	582,674	3480
2. Deduct: Ownership equity not allowable for net capital				3490
3. Total ownership equity qualified for net capital			582,674	3500
4. Add				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital				3520
B. Other (deductions) or allowable credits (List)				3525
5. Total capital and allowable subordinated liabilities		\$	582,674	3530
6. Deductions and/or charges				
A. Total non-allowable assets from:				
Statement of Financial Condition (Notes B and C)	\$	121,743	3540	
1. Additional charges for customers' and non-customers' security accounts			3550	
2. Additional charges for customers' and non-customers' commodity accounts			3560	
B. Aged fail-to-deliver				3570
1. Number of Items	3450			
C. Aged short security differences - less reserve of number of items	3460		3580	
number of items	3470			
D. Secured demand note deficiency			3590	
E. Commodity futures contracts and spot commodities proprietary capital charges			3600	
F. Other deductions and/or charges			3610	
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)			3615	
H. Total deductions and/or charges			121,743	3620
7. Other additions and/or allowable credits (list)				3630
8. Net capital before haircuts on securities positions			460,931	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):				
A. Contractual securities commitments			3660	
B. Subordinated securities borrowings			3670	
C. Trading and investment securities:				
1. Bankers' acceptances, certificates of deposit and commercial paper			3680	
2. U.S. and Canadian government obligations			3690	
3. State and municipal government obligations			3700	
4. Corporate obligations			3710	
5. Stocks and warrants			3720	
6. Options			3730	
7. Arbitrage			3732	
8. Other securities			3734	
D. Undue concentration			3650	
E. Other (list)			3736	3740
10. Net Capital			460,931	3750

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART II**

Broker or Dealer DN Partners, LLC	as of 12/31/01
-----------------------------------	----------------

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$ 3,091	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$ 5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$ 5,000	3760
14. Excess net capital (line 10 less 13)	\$ 455,931	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	456,294	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. Liabilities from Statement of Financial Condition		46,371	3790
17. Add:			
A. Drafts for immediate credit	3800		
B. Market value of securities borrowed for which no equivalent is paid or credited	3810		
C. Other unrecorded amounts (List)	3820	-	3830
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1 (c)(1)(vii))			3838
19. Total aggregate indebtedness		46,371	3840
20. Percentage of aggregate indebtedness to net capital (line 19 / line 10)		10%	3850
21. Percentage of Aggregate Indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 / line 10 less item 4880 page 11)		10%	3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirement pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries debits			3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)			3880
24. Net capital requirement (greater of line 22 or 23)			3760
25. Excess net capital (line 10 less 24)			3910
26. Percentage of Net Capital to Aggregate Debits (line 10 / line 17 page 8)			3851
27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debits (line 10 less Item 4880 page 11 / line 17 page 8)			3854
28. Net capital in excess of: 5% of combined aggregate debit items or \$120,000			3920

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)			3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) / Net Capital			3852

Notes:

- (A) The minimum net capital requirements should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of
 1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness of 2% of aggregate debits if alternative method used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets

DN PARTNERS, LLC

Reconciliation of Computation of Net Capital
December 31, 2001

The following is a reconciliation and explanation for differences between the audited and unaudited computation of net capital.

	<u>UNAUDITED</u>	<u>DIFFERENCE</u>	<u>AUDITED</u>
Total ownership equity	\$ 636,358	\$ (53,684) ^{\1}	\$ 582,674
Deduct equity not allowable	<u>0</u>	<u>0</u>	<u>0</u>
Equity Qualified for Net Capital	\$ 636,358	\$ (53,684)	\$ 582,674
Add:			
Subordinated Liabilities	0	0	0
Other (deductions) credits	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital and Subordinated Debt	\$ 636,358	\$ (53,684)	\$ 582,674
Deductions and/or charges			
Nonallowable assets	154,442	(32,699) ^{\2}	121,743
Demand note deficiency	0	0	0
Other deductions/charges	<u>0</u>	<u>0</u>	<u>0</u>
Net Capital Before Haircuts	\$ 481,916	\$ (20,985)	\$ 460,931
Haircuts on Investment Positions	<u>0</u>	<u>0</u>	<u>0</u>
Net Capital	\$ 481,916	\$ (20,985)	\$ 460,931
Net Capital Requirement	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Excess Net Capital	<u>\$ 479,916</u>	<u>\$ (20,985)</u>	<u>\$ 455,931</u>

^{\1} Difference due to additional expense accruals.

^{\2} Difference due to depreciation and bad debt write-off.

DN PARTNERS, LLC

Computation for Determination of Reserve Requirements
for Brokers and Dealers Pursuant to
Rule 15c3-3 under the Securities Exchange Act of 1934

December 31, 2001

The Company does not clear securities transactions or take possession of control of securities for customers and, therefore, is exempt from the possession or control and reserve requirements of Rule 15c3-3 under the Securities Exchange Act of 1934.

FAIRCLOTH & ASSOCIATES, LLC

ACCOUNTANTS AND AUDITORS
FINANCIAL SERVICES

711 SOUTH DEARBORN STREET
CHICAGO, ILLINOIS 60605

**SUPPLEMENTAL REPORT ON
INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5**

To the Members
DN Partners, LLC
Chicago, Illinois

In planning and performing our audit of the financial statements of DN Partners, LLC (the "Company") for the year ended December 31, 2001 (on which we issued our report dated March 8, 2002), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making 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 security accounts for customers or perform custodial functions relating to customer securities.

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 judgements by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures, and to assess whether those 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 acquisition, 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.

FAIRCLOTH & ASSOCIATES, LLC

ACCOUNTANTS AND AUDITORS
FINANCIAL SERVICES

711 SOUTH DEARBORN STREET
CHICAGO, ILLINOIS 60605

INDEPENDENT AUDITOR'S REPORT

To the Members
DN Partners, LLC

We have audited the accompanying statement of financial condition of DN Partners, LLC as of December 31, 2001, and the related statements of income, changes in members equity and cash flows for the year 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 DN Partners, LLC as of December 31, 2001, and its results of operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit has been made primarily for the purpose of expressing an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is 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.

Faircloth & Associates, LLC

Chicago, Illinois
March 8, 2002