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

SECURITIES AND EXCHANGE
RECEIVED

SEC FILE NUMBER
8-47802

JUL 03 2002

FACING PAGE

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

DIVISION OF SECURITIES AND INVESTMENT REGULATION

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:
COMSTOCK PARTNERS, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
9340 READCREST DRIVE

(No. and Street)

BEVERLY HILLS CA 90210

(City)

(State)

(Zip Code)

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

JEFF BALASH (310) 276-8386

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MARYANOV MADSEN GORDON & CAMPBELL CPA's

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

801 E. TAHQUITZ CANYON WAY, STE. 200 PALM SPRINGS, CA 92262

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

JUL 19 2002

THOMSON
FINANCIAL

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).

UP 7-18-02

OATH OR AFFIRMATION

I, JEFF BALASH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of COMSTOCK PARTNERS, LLC, as of DECEMBER 31, ~~19~~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:

Signature

Title

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 Proprietor's 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 15c3-1 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).*

Financial Statements

Comstock Partners, LLC

December 31, 2001 and 2000

Maryanov Madsen Gordon & Campbell
CERTIFIED PUBLIC ACCOUNTANTS - A Professional Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Comstock Partners, LLC
Los Angeles, California

We have audited the accompanying statements of financial condition of Comstock Partners, LLC ("the Company") as of December 31, 2001 and 2000, and the related statements of income and comprehensive income, changes in members' equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Comstock Partners, LLC as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

MARYANOV MADSEN GORDON & CAMPBELL
Certified Public Accountants
A Professional Corporation

February 23, 2002

By 
THOMAS NOCE, CPA, CFE

COMSTOCK PARTNERS, LLC

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2001 AND 2000ASSETS

	<u>2001</u>	<u>2000</u>
CURRENT ASSETS		
Cash	\$ 14,160	\$ 1,270
Investments:		
Marketable, at market value	91,266	840,746
Not readily marketable, at estimated fair value	2,550,955	2,895,760
Accounts receivable	-	12,607
Note receivable	151,985	-
Other current assets	30,438	26,231
	<u>2,838,804</u>	<u>3,776,614</u>
FURNITURE, EQUIPMENT AND IMPROVEMENTS		
Computer	15,552	14,292
Fixtures and furniture	31,143	31,143
Office improvements	75,213	20,973
	<u>121,908</u>	<u>66,408</u>
Accumulated depreciation	<u>(21,530)</u>	<u>(17,210)</u>
	<u>100,378</u>	<u>49,198</u>
	<u>\$ 2,939,182</u>	<u>\$ 3,825,812</u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 37,746	\$ 13,435
Subscriptions payable	-	500,000
	<u>37,746</u>	<u>513,435</u>
MEMBERS' EQUITY		
Members' equity	3,014,964	3,206,659
Accumulated other comprehensive income:		
Unrealized gains (losses) on securities	<u>(113,528)</u>	<u>105,718</u>
	<u>2,901,436</u>	<u>3,312,377</u>
	<u>\$ 2,939,182</u>	<u>\$ 3,825,812</u>

The accompanying notes are an integral part of these financial statements.

COMSTOCK PARTNERS, LLC

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
REVENUES	\$ 15,019	\$ 89,566
EXPENSES		
General and administrative	317,328	344,746
Interest	6,444	-
Depreciation	4,320	5,117
Total expenses	<u>328,092</u>	<u>349,863</u>
LOSS FROM OPERATIONS	<u>(313,073)</u>	<u>(260,297)</u>
OTHER INCOME		
Interest	8,159	3,304
Dividends	8,801	14,116
Other revenue	6	14,229
Gain (loss) on sale of marketable securities	(2,253)	331,770
Total other income	<u>14,713</u>	<u>363,419</u>
NET INCOME (LOSS)	<u>(298,360)</u>	<u>103,122</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized holding gains (losses) arising during the year	<u>(219,246)</u>	<u>105,718</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ (517,606)</u>	<u>\$ 208,840</u>

The accompanying notes are an integral part of these financial statements.

COMSTOCK PARTNERS, LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>J. Balash</u>	<u>Belvedere Partners</u>	<u>Total</u>
Balance, January 1, 2000	\$ 334,579	\$ (7,616)	\$ 326,963
Capital contributions	2,497,034	322,240	2,819,274
Capital withdrawals	(38,430)	(4,270)	(42,700)
Net income	92,810	10,312	103,122
Other comprehensive income: Unrealized holdings gains arising during the year	<u>95,146</u>	<u>10,572</u>	<u>105,718</u>
Balance, December 31, 2000	2,981,139	331,238	3,312,377
Capital contributions	295,798	32,867	328,665
Capital withdrawals	(199,800)	(22,200)	(222,000)
Net loss	(268,524)	(29,836)	(298,360)
Other comprehensive income: Unrealized holdings losses arising during the year	<u>(197,321)</u>	<u>(21,925)</u>	<u>(219,246)</u>
Balance, December 31, 2001	<u>\$ 2,611,292</u>	<u>\$ 290,144</u>	<u>\$ 2,901,436</u>

The accompanying notes are an integral part of these financial statements.

COMSTOCK PARTNERS, LLC

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
INCREASE (DECREASE) IN CASH		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 27,632	\$ 110,595
Cash paid to suppliers and employees	(322,654)	(348,763)
Interest and dividends received	16,960	17,420
Interest paid	(6,444)	-
Income taxes paid	(800)	(800)
	<u>(285,306)</u>	<u>(221,548)</u>
Net cash used by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(55,500)	(31,143)
Principal payments from note receivable	74,298	-
Reduction of subscription payable	(500,000)	-
Purchase of investments	(608,565)	(1,250,000)
Proceeds from sale of investments	1,481,349	1,178,561
Member advances, net	-	4,765
	<u>391,582</u>	<u>(97,817)</u>
Net cash provided (used) by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributions	128,614	341,695
Capital withdrawals	(222,000)	(42,700)
	<u>(93,386)</u>	<u>298,995</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash	12,890	(20,370)
Cash at beginning of year	<u>1,270</u>	<u>21,640</u>
Cash at end of year	<u>\$ 14,160</u>	<u>\$ 1,270</u>

Continued

The accompanying notes are an integral part of these financial statements.

COMSTOCK PARTNERS, LLC

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000

(Continued)	<u>2001</u>	<u>2000</u>
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Net income (loss)	<u>\$ (298,360)</u>	<u>\$ 103,122</u>
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation	4,320	5,117
Loss (gain) on sale of marketable securities	2,254	(331,770)
(Increase) decrease in assets:		
Accounts receivable	12,607	6,800
Other current assets	(30,438)	-
Increase (decrease) in liabilities:		
Accounts payable	<u>24,311</u>	<u>(4,817)</u>
Total adjustments	<u>13,054</u>	<u>(324,670)</u>
Net cash used by operating activities	<u><u>\$ (285,306)</u></u>	<u><u>\$ (221,548)</u></u>

Schedule of non-cash activity:

In 2001, the members contributed to the company a note receivable in the amount of \$226,283 and in 2000 the members contributed stock and investments to the company in the amount of \$2,435,969.

The accompanying notes are an integral part of these financial statements.

COMSTOCK PARTNERS, LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company was formed on April 1, 1995 under provision of the Beverly-Killea Limited Liability Company Act and obtained its membership in the National Association of Securities Dealers, Inc. (NASD) on June 21, 1996. The Company is authorized to provide financial and business advisory services including investment advisory and private placement services to corporations, financial institutions and other businesses.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

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

Investments

The Company's investments in marketable equity securities and debt securities are classified as "available for sale". Available-for-sale securities are recorded at fair value in investments on the balance sheet, with the change in fair value during the period excluded from earnings and recorded net of tax as a component of other comprehensive income.

Income Taxes

The Company elected to be taxed as a limited liability company. As such, the Company does not pay federal income taxes on its taxable income. Instead the members are personally liable for the federal income taxes on their respective shares of the Company's taxable income.

For California franchise tax purposes, a limited liability company is subject to a minimum franchise tax and an annual fee based on total income.

Continued

COMSTOCK PARTNERS, LLC
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2001 AND 2000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

The furniture, equipment, and improvements are depreciated over their useful lives using an accelerated method of depreciation.

NOTE 1: NET CAPITAL REQUIREMENTS

The Company, as a registered broker and dealer in securities, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under the computation provided by Rule 15c3-1, the Company is required to maintain a net capital requirement of \$5,000 with which the Company was in compliance at December 31, 2001.

The Company had the following capital amounts at December 31, 2001 pursuant to Rule 15c3-1:

Net capital	\$ <u>236,414</u>
Net capital requirement	\$ <u>5,000</u>

The Company is exempt from Rule 15c3-3 pursuant to Rule 15c3-3(k)(2)(i).

NOTE 3: INVESTMENTS

The carrying amounts of investment securities and their approximate fair values at December 31, 2001 were as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains (Losses)</u>	<u>Fair Value</u>
Marketable, at market value:			
Common stock	\$ <u>106,000</u>	\$ <u>(14,734)</u>	\$ <u>91,266</u>

Continued

COMSTOCK PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000NOTE 3: INVESTMENTS (Continued)

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains (Losses)</u>	<u>Fair Value</u>
Not readily marketable, at estimated fair value:			
Aspen Fund	-	3,281	3,281
Bric 6, L.P.	435,143	92,094	527,237
Bricoleur Enhanced, L.P.	652,743	7,152	659,895
Eucalyptus Fund	250,000	26,805	276,805
Kahn Capital Partners	500,000	(274,900)	225,100
Spinner Asset Management	500,000	3,547	503,547
Telephony@Work	250,000	54,945	304,945
Stone Ridge Partners	37,500	-	37,500
Whitman Capital	<u>24,363</u>	<u>(11,718)</u>	<u>12,645</u>
	<u>2,649,749</u>	<u>(98,794)</u>	<u>2,550,955</u>
Total securities available for sale	<u>\$ 2,755,749</u>	<u>\$ (113,528)</u>	<u>\$ 2,642,221</u>

The carrying amounts of investment securities and their approximate fair values at December 31, 2000 were as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains (Losses)</u>	<u>Fair Value</u>
Marketable, at market value:			
Common stock	\$ 106,042	\$ 37,646	\$ 143,688
Hoover investments	250,000	97,058	347,058
Lawrence Partners	<u>250,000</u>	<u>100,000</u>	<u>350,000</u>
	<u>606,042</u>	<u>234,704</u>	<u>840,746</u>

Continued

COMSTOCK PARTNERS, LLC
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2001 AND 2000

NOTE 3: INVESTMENTS (Continued)

	Amortized Cost	Gross Unrealized Gains (Losses)	Fair Value
Not readily marketable, at estimated fair value:			
Aspen Fund	\$ 125,000	\$ (55,738)	\$ 69,262
Eucalyptus Fund	125,000	93,072	218,072
Bricoleur Enhanced, L.P.	1,024,746	(4,255)	1,020,491
Spinner Asset Management	500,000	(19,133)	480,867
Telephony@Work	250,000	-	250,000
Whitman Capital	500,000	(142,932)	357,068
Kahn Capital Partners	500,000	-	500,000
	<u>3,024,746</u>	<u>(128,986)</u>	<u>2,895,760</u>
Total securities available for sale	<u>\$ 3,630,788</u>	<u>\$ 105,718</u>	<u>\$ 3,736,506</u>

NOTE 4: NOTE RECEIVABLE

In July 2001, the members contributed a note receivable in the amount of \$226,283. The note is receivable in installments of \$13,500 per month which consists of principal and interest at a rate of prime plus 1%. The note is guaranteed by stock from the payor and upon termination in December, 2002 the stock is to be returned. At December 31, 2001 the current portion was \$151,985 and the long-term portion was \$0.

COMSTOCK PARTNERS, LLC

COMPUTATION OF NET CAPITAL UNDER SECTION 15c3-1
DECEMBER 31, 2001

Net capital requirement under sections 15c3-1(2)(a) for brokers who do not generally carry customers' accounts	<u>\$ 5,000</u>
Per audited financial statements: Members' equity	<u>\$ 2,901,436</u>
Nonallowable assets:	
Securities not readily marketable	2,550,955
Furniture, equipment and improvements	<u>100,378</u>
Total nonallowable assets	<u>2,651,333</u>
Net capital before haircuts on securities positions	250,103
Haircuts on securities	
Trading and investment securities	<u>13,689</u>
NET CAPITAL	<u>\$ 236,414</u>
TOTAL AGGREGATE INDEBTEDNESS	<u>\$ 37,746</u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>.16 to 1.00</u>
MINIMUM NET CAPITAL REQUIRED	<u>\$ 5,000</u>
EXCESS NET CAPITAL	<u>\$ 231,414</u>

COMSTOCK PARTNERS, LLC

RECONCILIATION BETWEEN FOCUS REPORT OF NET CAPITAL
AND AUDITORS' NET CAPITAL
DECEMBER 31, 2001

Per December 31, 2001 Focus Report:

Net capital	<u>\$ 258,229</u>
Less:	
Additional payable due to audit adjustments	(22,141)
Reduction in other assets due to audit adjustment	(1,200)
Add:	
Prepaid expense classified as current expense	<u>1,526</u>
Total adjustments	<u>(21,815)</u>
Adjusted Focus Report balance	<u><u>\$ 236,414</u></u>
Auditors' net capital under Section 15c3-1	<u><u>\$ 236,414</u></u>

To the Board of Directors
Comstock Partners, LLC
Los Angeles, California

In planning and performing our audit of the financial statements of Comstock 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 (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregated debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining 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 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) lists 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 the structure to future periods is subject to the risk that procedures 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, 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 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 use of the Board of Directors, management, the Securities and Exchange Commission and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and should not be used for any other purpose.

MARYANOV MADSEN GORDON & CAMPBELL
Certified Public Accountants
A Professional Corporation

February 23, 2002

By


THOMAS NOCE, CPA, CFE