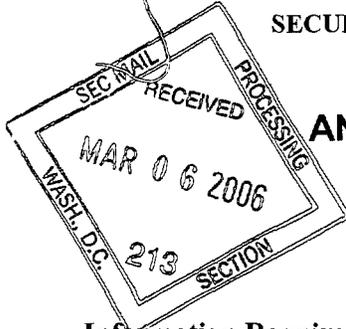


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



OMB APPROVAL  
OMS Number: 3235.0123  
Expires: January 31, 2007  
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SEC FILE NUMBER  
8-66647

**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

REPORT FOR THE PERIOD BEGINNING 01/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: STRATA PARTNERS LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
219 LAKE ST S, STE C

OFFICIAL USE ONLY  
FIRM I.D.NO.

KIRKLAND WA 98033  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
MATTHEW FOWLER (206) 913-3657  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
PETERSON SULLIVAN, PLLC

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

601 UNION ST, STE 2300 SEATTLE WA 98101  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

JUN 15 2006

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 240.17 a-5(e)(2)

SEC 1410 (06.02)

Potential persons who are to respond to the collection of  
Information contained in this form are not required to respond  
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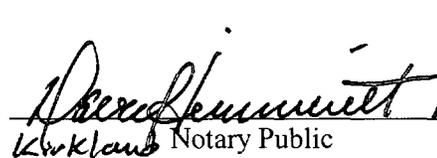
Handwritten initials and number 6647

OATH OR AFFIRMATION

I, Matthew Fowler, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STRATA PARTNERS, as of DECEMBER 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

  
Signature

 WSBA #36457 FINOP  
Notary Public My commission expires 9/8/08 Title

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. (CASH FLOWS)
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors. (NOT APPLICABLE)
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3. (NOT APPLICABLE)
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3. (NOT APPLICABLE)
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.\*
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation. (NOT APPLICABLE)
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report. (NOT APPLICABLE)
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit. (NOT APPLICABLE)

\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17 a-5(e)(3).

X (O) INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3.

\* RESERVE REQUIREMENT IS NOT APPLICABLE



CERTIFIED PUBLIC ACCOUNTANTS

601 UNION STREET, SUITE 2300

SEATTLE, WASHINGTON 98101

## INDEPENDENT AUDITORS' REPORT

To the Members  
Strata Partners, LLC  
Kirkland, Washington

We have audited the accompanying statement of financial condition of Strata Partners, LLC as of December 31, 2005, 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 auditing standards generally accepted in the United States. 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 Strata Partners, LLC as of December 31, 2005, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in Schedules I and II 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 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Peterson Sullivan PLLC*  
February 3, 2006

STRATA PARTNERS, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 2005

ASSETS

Cash	\$	21,983
Investments		98,405
Warrants receivable		28,475
Accounts receivable		40,000
		<hr/>
	\$	188,863
		<hr/> <hr/>

LIABILITIES AND MEMBERS' EQUITY

Liabilities		
Accounts payable	\$	1,258
Members' equity		187,605
		<hr/>
	\$	188,863
		<hr/> <hr/>

See Notes to Financial Statements

STRATA PARTNERS, LLC

STATEMENT OF INCOME

For the Year Ended December 31, 2005

Revenues	
Fee income and reimbursements	\$ 267,208
Expenses	
Guaranteed payments	57,000
Wages	26,250
Professional fees	52,860
Payroll taxes and benefits	5,979
Rent	5,963
Regulatory and trading fees	5,600
Supplies	4,197
Other	4,729
	<hr/>
	162,578
	<hr/>
Net income	\$ 104,630
	<hr/> <hr/>

See Notes to Financial Statements

STRATA PARTNERS, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the Year Ended December 31, 2005

Balance, December 31, 2004	\$ 15,475
Member contributions	67,500
Net income	<u>104,630</u>
Balance, December 31, 2005	<u>\$ 187,605</u>

See Notes to Financial Statements

**STRATA PARTNERS, LLC**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2005

Cash Flows from Operating Activities	
Net income	\$ 104,630
Adjustments to reconcile net income to net cash flows from operating activities	
Fees received and receivable in the form of common stock in clients and warrants to purchase common stock of clients	(126,880)
Change in operating assets and liabilities	
Accounts receivable	(40,000)
Accounts payable	1,258
	<hr/>
Net cash flows from operating activities	(60,992)
Cash Flows from Financing Activity	
Member capital contributions	67,500
	<hr/>
<b>Increase in cash</b>	<b>6,508</b>
Cash, beginning of year	15,475
	<hr/>
Cash, end of year	<u><u>\$ 21,983</u></u>

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Organization and Significant Accounting Policies

#### Organization

Strata Partners, LLC ("the Company") is a securities broker and dealer as approved by the Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers, Inc. The Company has offices in Seattle and New York.

The Company is a limited liability company (or "LLC"), and as an LLC the liability to the owners is generally limited to amounts invested into it. According to the LLC agreement, the Company will dissolve in June 2029 (unless the owners vote to extend the life of the Company).

All fee income and reimbursements were earned from one company in 2005. All fees and warrants receivable at December 31, 2005, are due from this Company.

Fees associated with locating investors for companies are recognized when the services are completed. Fees associated with business advisory services are recognized on a straight-line basis over the term of the services.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Actual results could differ from the estimates that were used.

#### Cash

Cash includes cash in banks. The Company occasionally has deposits in excess of federally insured limits.

#### Investments

Investments represent restricted common stock in a publicly traded company and warrants to purchase stock in the same company. The common stock is recorded as fair market value using the trading price of the stock on the last trading day of the year. The warrants are valued using the Black-Scholes model. Investments consist of:

Common stock in Little Squaw Gold Mining Company ("Little Squaw")	\$	9,420
Warrants to purchase common stock in Little Squaw		88,985
	\$	<u>98,405</u>

The warrants are to purchase 500,000 shares of common stock in Little Squaw at \$0.30 per share expiring November 21, 2008.

### **Accounts Receivable**

The Company uses the allowance method to recognize accounts receivable that may not be collectible. Management regularly reviews all accounts and determines which are past due (terms vary) and may not be collectible. Management determined that no allowance was necessary at December 31, 2005. Any amounts that would be written off are charged against the allowance.

### **Warrants Receivable**

Warrants receivable represent fees earned from Little Squaw that will be paid in warrants to purchase 160,000 shares of common stock expiring January 31, 2009. The exercise price is \$0.36 per share through January 31, 2007, \$0.50 per share from February 1, 2007 to January 31, 2008, and \$0.65 per share thereafter.

### **Income Taxes**

The LLC is not taxed at the reporting level. Instead, its items of income, loss, deduction and credit are passed through to its member owners.

### **Note 2. Related Party Transactions**

The Company subleased office space from a related company in 2005. The amount paid to the related company was \$1,263. In 2006, the Company and the related company signed an expense sharing agreement under which the Company will pay the related company \$625 each month for rent and related office expenses.

The Company also uses the office furniture and equipment of the related company without charge (any imputed value would be insignificant).

### **Note 3. Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1). Accordingly, the Company is required to maintain a minimum level of net capital (as defined) of 6 2/3% of total aggregate indebtedness or \$5,000, whichever is greater. At December 31, 2005, the required minimum net capital was \$5,000. The Company had computed net capital of \$20,725 at December 31, 2005, which was in excess of the required net capital level by \$15,725. In addition, the Company is not allowed to have a ratio of aggregate indebtedness to net capital (as defined) in excess of 15 to 1. At December 31, 2005, the Company's ratio of aggregate indebtedness to net capital was 0.06 to 1.

S U P P L E M E N T A R Y   I N F O R M A T I O N

**STRATA PARTNERS, LLC**

**SCHEDULE I – COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1**

December 31, 2005

**COMPUTATION OF NET CAPITAL**

Members' equity		\$	187,605
Deductions			
Securities not readily marketable	\$	98,405	
Unsecured accounts and warrants receivable		<u>68,475</u>	<u>(166,880)</u>
Net capital			20,725
Minimum net capital			<u>5,000</u>
Excess net capital		\$	<u>15,725</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Accounts payable	\$	<u>1,258</u>
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**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6 2/3% of total aggregate indebtedness or \$5,000, whichever is greater)	\$	<u>5,000</u>
Percentage of aggregate indebtedness to net capital		6%
Ratio of aggregate indebtedness to net capital		0.06 to 1

Strata Partners, LLC is exempt from the computation of reserve requirements pursuant to Rule 15c3-3 under paragraph K(2)(i).

STRATA PARTNERS, LLC

SCHEDULE II – RECONCILIATION BETWEEN  
THE COMPUTATION OF NET CAPITAL PER THE BROKER'S UNAUDITED FOCUS REPORT,  
PART IIA, AND THE AUDITED COMPUTATION OF NET CAPITAL

December 31, 2005

Net capital, as reported by the Company on its unaudited focus report Part II A	\$ 19,725
Adjustment to correct accounts payable and equity	<u>1,000</u>
Net capital as audited	<u><u>\$ 20,725</u></u>



CERTIFIED PUBLIC ACCOUNTANTS  
601 UNION STREET, SUITE 2300  
SEATTLE, WASHINGTON 98101

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**  
**REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER**  
**CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Members  
Strata Partners, LLC  
Kirkland, Washington

In planning and performing our audit of the financial statements of Strata Partners, LLC for the year ended December 31, 2005, we considered its internal control, including internal control activities 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 internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by Strata Partners, LLC 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 exemptive provisions of Rule 15c3-3. Because Strata Partners, LLC 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 Strata Partners, LLC 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 Strata Partners, LLC 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 Securities and Exchange Commission'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 Strata Partners, LLC 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 accordance with accounting principles generally accepted in the United States. 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, projections 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 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 internal control, including control activities 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 Securities and Exchange Commission 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 Strata Partners, LLC's practices and procedures were adequate at December 31, 2005, to meet the Securities and Exchange Commission's objectives.

This report is intended solely for the use of the Strata Partners, LLC management, the Securities and Exchange Commission, 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 should not be used by anyone other than these specific parties.

*Peterson Sallie PLLC*

February 3, 2006