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SECURI ION
**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 04/01/05 AND ENDING 03/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SELALU PARTNERS, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

(No. and Street)

RIDGEFIELD CT 06877
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DONNA ANDERSON SCHOLE (203) 438-1400
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BRACE & SUSSMAN, PLLC

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

12 PARMENTER ROAD LONDONDERRY NH 03053
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
E JUL 10 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 240.17a-5(e)(2)

AB
7/7/06
CO

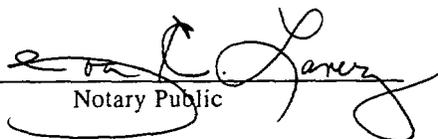
OATH OR AFFIRMATION

I, DONNA ANDERSON SCHOLE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SELALU PARTNERS, LLC, as of MARCH 31, 2006, 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

MANAGING MEMBER

Title


Notary Public

JOAN E. LAVERY
NOTARY PUBLIC
MY COMMISSION EXPIRES JUNE 30, 2010

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 Proprietors' 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 15c3-3 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.
- (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).

SELALU PARTNERS, LLC

FINANCIAL STATEMENTS

MARCH 31, 2006

BRACE & SUSSMAN, PLLC

Certified Public Accountants

12 PARMENTER ROAD

LONDONDERRY, NH 03053

TEL. (603) 437-1910

FAX (603) 437-3676

Independent Auditor's Report

To the Member of
Selalu Partners, LLC
Ridgefield, CT

We have audited the accompanying statement of financial condition of Selalu Partners, LLC as of March 31, 2006, and the related statements of income, changes in member's equity, and cash flows 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 Selalu Partners, LLC as of March 31, 2006, and the results of their operations and their cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III, and IV, 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 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.

Brace & Sussman, PLLC

Brace & Sussman, PLLC
Certified Public Accountants
Londonderry, New Hampshire
May 24, 2006

SELALU PARTNERS, LLC

STATEMENT OF FINANCIAL CONDITION

MARCH 31, 2006

ASSETS

| | |
|--|-------------------|
| Cash | \$ 114,248 |
| Accounts receivable | 500,000 |
| Prepaid expenses | 1,241 |
| Furniture and equipment, at cost less accumulated depreciation (\$159) | <u>2,707</u> |
| Total assets | <u>\$ 618,196</u> |

LIABILITIES AND MEMBER'S EQUITY

| | |
|---------------------------------------|-------------------|
| Accounts payable and accrued expenses | <u>\$ 500,814</u> |
| Member's equity | <u>117,382</u> |
| Total liabilities and member's equity | <u>\$ 618,196</u> |

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

SELALU PARTNERS, LLC

STATEMENT OF INCOME (LOSS)

FOR THE YEAR ENDED MARCH 31, 2006

| | |
|--------------------------|--------------------|
| Revenues: | |
| Commissions | \$ 1,124,074 |
| Interest income | 284 |
| | <u>1,124,358</u> |
| Expenses: | |
| Management expenses | - |
| Commissions expense | 1,014,255 |
| Occupancy expenses | 28,713 |
| Communication expenses | 5,551 |
| Other operating expenses | <u>93,065</u> |
| Total expenses | <u>1,141,584</u> |
| Net income (loss) | <u>\$ (17,226)</u> |

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

SELALU PARTNERS, LLC

STATEMENT OF CHANGES IN MEMBER'S EQUITY

FOR THE YEAR ENDED MARCH 31, 2006

| | |
|--------------------------------------|-------------------|
| Member's equity at beginning of year | \$ 134,608 |
| Net income (loss) | (17,226) |
| Member's contributions | - |
| Member's distributions | <u>-</u> |
| Member's equity at end of year | <u>\$ 117,382</u> |

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

SELALU PARTNERS, LLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

| | | |
|---|----------------|-------------------|
| Cash flows from operating activities: | | |
| Net income (loss) | | \$ (17,226) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 159 | |
| Increase in accounts receivable | (477,465) | |
| Increase in prepaid expenses | (1,087) | |
| Increase in accounts payable | <u>494,195</u> | |
| Total adjustments | | <u>15,802</u> |
| Net cash provided (used) by operating activities | | <u>(1,424)</u> |
| Cash flows from investing activities: | | |
| Purchase of office equipment | | (2,867) |
| Cash flows from financing activities: | | |
| None | | <u>-</u> |
| Net decrease in cash | | (4,291) |
| Cash at beginning of year | | <u>118,539</u> |
| Cash at end of year | | <u>\$ 114,248</u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

| | |
|--------------|---------------|
| Interest | <u>\$ 16</u> |
| Income taxes | <u>\$ 800</u> |

Disclosure of accounting policy:

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

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

SELALU PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

The Company was organized on July 28, 2000 as a Delaware limited liability company to conduct business as a registered broker-dealer under the Securities Exchange Act of 1934. As a limited liability company the members' liability is limited to their investment.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of 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.

Furniture and Equipment

Acquisitions of furniture and equipment are recorded at cost. Improvements and replacements of furniture and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of furniture and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of income and retained earnings. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Depreciation expense for the year ended March 31, 2006 was \$159.

NOTE 2 - NET CAPITAL

As a broker-dealer, the Company is subject to the Securities and Exchange Commission's regulations and operating guidelines, which require the Company to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness to net capital, as derived, not exceeding 15 to 1. The Company's net capital, as computed under Rule 15c3-1, was \$113,324 at March 31, 2006, which exceeded required net capital of \$33,388 by \$79,936. The ratio of aggregate indebtedness to net capital at March 31, 2006 was 441.9%

SELALU PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS (Continued)

MARCH 31, 2006

NOTE 3 - INCOME TAXES

The Company has chosen to be treated as a partnership for federal and state income tax purposes. A partnership is not a taxpaying entity for federal or state income tax purposes. Accordingly, no income tax expense has been recorded in the statements. All income or losses will be reported on the individual members' income tax returns.

NOTE 4 - OPERATING LEASE AGREEMENTS

The Company leases its office from the member under an operating lease. The lease requires monthly payments of \$1,000 on a year-to-year basis unless either party gives 90 days' written notice. The Company made lease payments of \$12,000 to the member during the year ended March 31, 2006.

SELALU PARTNERS, LLC
SUPPLEMENTARY SCHEDULES
FOR THE PERIOD ENDED MARCH 31, 2006

SCHEDULE I

COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL
PURSUANT TO RULE 15c3-1

MARCH 31, 2006

| | |
|--|-------------------|
| Total ownership equity from statement of financial condition | \$ 117,382 |
| Total nonallowable assets from statement of financial condition | <u>3,948</u> |
| Net capital before haircuts on securities positions | 113,434 |
| Haircuts on securities | <u>(110)</u> |
| Net capital | 113,324 |
| Aggregate indebtedness: | |
| Total A.I. liabilities from statement of financial condition | <u>\$ 500,814</u> |
| Total aggregate indebtedness | <u>\$ 500,814</u> |
| Percentage of aggregate indebtedness to net capital | <u>441.9%</u> |
| Computation of basic net capital requirement: | |
| Minimum net capital required (6-2/3% of A.I.) | <u>\$ 33,388</u> |
| Minimum dollar net capital requirement of reporting broker or dealer | <u>\$ 5,000</u> |
| Net capital requirement | <u>\$ 33,388</u> |
| Excess net capital | <u>\$ 79,936</u> |
| Excess net capital at 1000% | <u>\$ 63,243</u> |

SELALU PARTNERS, LLC

RECONCILIATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

(X17A-5)

AT MARCH 31, 2006

SCHEDULE I (CONTINUED)

| | FOCUS REPORT - PART IIA QUARTER ENDED <u>March 31, 2006</u> | <u>ADJUSTMENTS</u> | ANNUAL FINANCIAL STATEMENTS AT <u>March 31, 2006</u> |
|---|---|------------------------|--|
| COMPUTATION OF NET CAPITAL | | | |
| Total ownership equity from statement of financial condition | \$ <u>114,248</u> | \$ <u>3,134</u> | \$ <u>117,382</u> |
| Deductions and/or charges: | | | |
| Total nonallowable assets from statement of financial condition | - | 3,948 | 3,948 |
| Haircuts on securities | <u>110</u> | <u>-</u> | <u>110</u> |
| Total deductions | <u>110</u> | <u>3,948</u> | <u>4,058</u> |
| Net capital | \$ <u><u>114,138</u></u> | \$ <u><u>(814)</u></u> | \$ <u><u>113,324</u></u> |

SCHEDULE II

SELALU PARTNERS, LLC

**INFORMATION RELATING TO POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3**

MARCH 31, 2006

The Company had no items reportable as customers' fully paid securities: (1) not in the Company's possession or control as of the audit date (for which instructions to reduce to possession or control had been issued as of the audit date) but for which the required action was not taken by the Company within the time frames specified under Rule 15c3-3 or (2) for which instructions to reduce to possession or control had not been issued as of the audit date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

SCHEDULE III

SELALU PARTNERS, LLC

**SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS
IN SEGREGATION FOR CUSTOMERS' REGULATED
COMMODITY FUTURES AND OPTION ACCOUNTS**

MARCH 31, 2006

The Company claims exemption from the segregation requirements of the Commodities Futures Act since it has no commodity customers as the term is defined in Regulation 1.3(k).

SCHEDULE IV

SELALU PARTNERS, LLC

**COMPUTATION FOR DETERMINATION OF
RESERVE REQUIREMENTS FOR BROKER/DEALER UNDER
RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934**

MARCH 31, 2006

Selalu Partners, LLC is exempt from the reserve requirements of Rule 15c3-3 as its transactions are limited, such that they do not handle customer funds or securities, accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirement pursuant to Rule 15c3-3 are not applicable.

BRACE & SUSSMAN, PLLC

Certified Public Accountants

12 PARMENTER ROAD

LONDONDERRY, NH 03053

TEL. (603) 437-1910

FAX (603) 437-3676

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

To the Member
Selalu Partners, LLC

In planning and performing our audit of the financial statements of Selalu Partners, LLC, for the period ended March 31, 2006, 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.

We also made a study of the practices and procedures followed by Selalu Partners, LLC in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by Selalu Partners, LLC in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because Selalu Partners, LLC 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 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 Commission'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 accounting principles general 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 any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they 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 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 weakness 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 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 the Company's practices and procedures were adequate at March 31, 2006, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, The National Association of Securities Dealers, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Brace & Sussman, PLLC
Brace & Sussman, PLLC
Certified Public Accountants
Londonderry, NH
May 24, 2006

BRACE & SUSSMAN, PLLC
Certified Public Accountants