

2/3  
3/3 ✓



AD 3/27/06

SECUR

06006712

SION

Washington, D.C. 20007

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response.....	12.00

RECEIVED  
MAR 01 2006  
SECTION 213  
WASH. DC

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

SEC FILE NUMBER
8- 66853

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 1/1/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Strata Capital, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

633 17th Street, Suite 1645

(No. and Street)

Denver

CO

80202

(City)

(State)

(Zip Code)

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

Tommye M. Barnett

303-296-8834

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Harding and Hittesdorf, P.C.

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

600 S. Cherry St., Suite 815 Denver

CO

80246

(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 14 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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Tommye M. Barnett, 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 Capital, Inc., as of December 31, 20 05, 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:

Tommye Barnett  
Signature  
Vice President  
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 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 15c3-1 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.
- (o) Independent auditors' report on internal accounting control.

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

STRATA CAPITAL, INC.  
(SEC File No. 8-66853)

Financial Statements and Supplemental  
Schedules for the Year Ended December 31, 2005  
and Independent Auditors' Report and  
Supplemental Report on Internal  
Accounting Control

# HARDING AND HITTESDORF, P.C.

Certified Public Accountants

600 S. Cherry Street, Suite 815  
Denver, Colorado 80246  
(303) 393-0888  
FAX (303) 393-0894  
www.hhcpafirm.com

## INDEPENDENT AUDITORS' REPORT



To The Stockholders  
Strata Capital, Inc.  
Denver, Colorado

We have audited the accompanying statements of financial condition of Strata Capital, Inc. (an S-Corporation) as of December 31, 2005, and the related statements of operations, changes in stockholders equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 of 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 audit 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 presents fairly, in all material respects, the financial position of Strata Capital, Inc. at 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 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 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 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.

*Harding and Hittesdorf, P.C.*  
HARDING AND HITTESDORF, P.C.  
Certified Public Accountants

February 22, 2006

STRATA CAPITAL, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2005

ASSETS

CURRENT ASSET:

Cash \$ 10,350

PROPERTY AND EQUIPMENT, at cost:

Furniture 1,696

Equipment 1,495

3,191

Less accumulated depreciation 226

2,965

\$ 13,315

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

\$ -

STOCKHOLDERS' EQUITY:

Common stock, \$10.00 par value;

10,000 shares authorized,

2,000 shares issued and outstanding 20,000

Additional paid in capital 40,000

Retained earnings (46,685)

13,315

\$ 13,315

See accompanying notes to financial statements.

STRATA CAPITAL, INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2005

REVENUE	\$	-
OPERATING EXPENSES:		
Professional fees		16,641
License and testing fees		15,946
Overhead charges paid to related entity (Note B)		8,000
Office expense		4,285
Parking		1,225
Insurance		362
Depreciation		226
		<u>46,685</u>
NET LOSS	\$	<u>(46,685)</u>

See accompanying notes to financial statements.

STRATA CAPITAL, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
BALANCE, JANUARY 1, 2005	-	\$ -	\$ -	\$ -	\$ -
Issuance of common stock	2,000	20,000	-	-	20,000
Shareholder contributions	-	-	40,000	-	40,000
Net loss	-	-	-	(46,685)	(46,685)
BALANCE, DECEMBER 31, 2005	<u>2,000</u>	<u>\$ 20,000</u>	<u>\$ 40,000</u>	<u>\$ (46,685)</u>	<u>\$ 13,315</u>

See accompanying notes to financial statements.

STRATA CAPITAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ (46,685)
Depreciation	226

NET CASH USED FOR OPERATING ACTIVITIES	<u>(46,459)</u>
---	-----------------

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	<u>(3,191)</u>
------------------------------------	----------------

NET CASH USED FOR INVESTING ACTIVITIES	<u>(3,191)</u>
---	----------------

CASH FLOWS FROM FINANCING ACTIVITIES:

Issuance of common stock	20,000
Additional paid in capital	40,000

NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>60,000</u>
--	---------------

NET INCREASE IN CASH	10,350
----------------------	--------

CASH AT BEGINNING OF YEAR	<u>-</u>
---------------------------	----------

CASH AT END OF YEAR	<u>\$ 10,350</u>
---------------------	------------------

See accompanying notes to financial statements.

STRATA CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

A. Summary of Significant Accounting Policies

Organization

Strata Capital, Inc. (the Company) is an investment banking broker dealer focused on capital sourcing, capital structuring and strategic consultation for small firms engaged in the oil and gas business.

Cash and cash equivalents

The Company considers cash on hand and investments with original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated principally by the straight-line method using a useful life of 5 to 7 years. Maintenance and repairs are expensed as incurred. Major betterments are capitalized.

Income Taxes

The Company, with consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In Lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STRATA CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

B. Transactions with Related Entities

The Company shares office space with a related entity. The Company pays \$1,000 a month for the personal property, utilities and office space to the related party. The stockholders of the Company feel that this amount represents a reasonably approximate valuation of the personal property, utilities and office space provided. For the year ended December 31, 2005, the Company paid this related entity \$8,000.

C. Statutory Requirements

Pursuant to Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain minimum net capital as defined under such rule. At December 31, 2005, the Company's net capital was \$10,350 and the required net capital was \$5,000.

The Company is exempt from certain provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is not required to maintain a "Special Account for Exclusive Benefit of Customers". Such exemption is in accordance with paragraph (k) (2) (i) of the Rule.

STRATA CAPITAL, INC.

SUPPLEMENTAL SCHEDULE OF COMPUTATION OF NET CAPITAL,  
MINIMUM NET CAPITAL REQUIRED, AND AGGREGATE INDEBTEDNESS

DECEMBER 31, 2005

COMPUTATION OF NET CAPITAL AND MINIMUM NET CAPITAL REQUIRED

MEMBERS' EQUITY	\$13,315
DEDUCTIONS:	
Nonallowable assets	<u>(2,965)</u>
NET CAPITAL	<u>\$10,350</u>
MINIMUM NET CAPITAL REQUIRED (greater of 6-2/3% of aggregate indebtedness or \$5,000)	<u>\$ 5,000</u>

AGGREGATE INDEBTEDNESS

TOTAL LIABILITIES AND AGGREGATE INDEBTEDNESS	<u>\$ 0</u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>0 :1</u>

There is no difference between the above net capital computation and the corresponding computation included in the Company's Form X-17A-5 Part IIA Filing.

SCHEDULE I

STRATA CAPITAL, INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3

DECEMBER 31, 2005

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k) (2) (i) of the Rule.

SCHEDULE II

# HARDING AND HITTESDORF, P.C.

Certified Public Accountants

600 S. Cherry Street, Suite 815  
Denver, Colorado 80246  
(303) 393-0888  
FAX (303) 393-0894  
www.hhcfpa.com



February 22, 2006

To The Stockholders'  
Strata Capital, Inc.  
Denver, Colorado

In planning and performing our audit of the financial statements and supplemental schedules of Strata Capital, Inc. (the Company), for the year ended December 31, 2005, we considered its internal control, including 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 the 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 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 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 the 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 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 preparation of financial statements in accordance 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 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 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, 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 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, 2005 to meet the SEC's objectives.

This report is intended solely for the information and use of the Members, management, the SEC, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of brokers and dealers, and is not intended and should not be used by anyone other than these specified parties.

*Hyal Hittesdorf, P.C.*

HARDING AND HITTESDORF, P.C.  
Certified Public Accountants