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

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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 01/01/2005 AND ENDING 12/31/2005

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

ARI Partners, L.L.C.

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

462A San Ysidro Road

(No. and Street)

Santa Barbara

CA

93108

(City)

(State)

(Zip Code)

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

Richard Eisenberg

(212) 964-5543

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Kempisty & Company, Certified Public Accountants, P.C.

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

15 Maiden Lane, Suite 1003

New York

New York

10038

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAY 25 2006

THOMSON FINANCIAL

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\*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).

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form

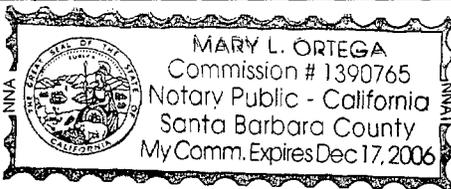
SEC 1410 (06-02)

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displays a currently valid OMB control number.

### OATH OR AFFIRMATION

I, Doron Linz, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ARI Partners, L.L.C., 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:



[Signature] 2/24/06  
Signature

Managing Member  
Title

[Signature] 2/24/06  
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 cash flows.
- (e) Statement of changes in stockholders' equity or partners' or sole proprietor's capital.
- (f) Statement of changes in liabilities subordinated to claims of general creditors.
- (g) Computation of net capital for brokers and dealers pursuant to Rule 15c3-1.
- (h) Computation for determination of reserve requirements pursuant to Rule 15c3-3.
- (i) Information relating to the possession or control requirements for broker and dealers 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 auditor's report on internal accounting control.
- (p) Schedule of segregation requirements and funds in segregation – customers regulated commodity futures account pursuant to Rule 171-5.

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

ARI PARTNERS, L.L.C.

DECEMBER 31, 2005

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# KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
ARI Partners, L.L.C.

We have audited the accompanying statement of assets, liabilities and members' equity of ARI Partners, L.L.C. as of December 31, 2005 and the related statements of income and expenses, members' equity and cash flows for the year 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 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 ARI Partners, L.L.C. at December 31, 2005 and the results of its' operations and 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 Schedule I 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.

*Kempisty & Company, C.P.A.'s, P.C.*

Kempisty & Company  
Certified Public Accountants PC  
New York, New York  
February 21, 2006

ARI PARTNERS, L.L.C.

STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY

DECEMBER 31, 2005

ASSETS

|                                   |    |                   |
|-----------------------------------|----|-------------------|
| Due from clearing broker          | \$ | 3,770,600         |
| Securities owned, at market value |    | 34,924,350        |
| Restricted securities             |    | 88,028            |
| Interest and dividends receivable |    | 54,880            |
| Other                             |    | 16,247            |
| JBO Investment                    |    | 15,000            |
| Deposits receivable               |    | 1,650             |
|                                   |    | <hr/>             |
| TOTAL ASSETS                      | \$ | <u>38,870,755</u> |

LIABILITIES AND MEMBERS' EQUITY

|   |    |                   |
|---|----|-------------------|
| Securities sold, not yet purchased, at market   | \$ | 33,682,916        |
| Interest and dividends payable                  |    | 4,338             |
| Accounts payable and accrued expenses           |    | 31,374            |
|   |    | <hr/>             |
| TOTAL LIABILITIES                               |    | 33,718,628        |
| Commitments and contingent liabilities (Note 6) |    |                   |
| Members' equity                                 |    | <hr/>             |
|   |    | 5,152,127         |
|   |    | <hr/>             |
| TOTAL LIABILITIES AND MEMBERS' EQUITY           | \$ | <u>38,870,755</u> |

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

ARI PARTNERS, L.L.C.

STATEMENT OF INCOME AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2005

|                               |    |                       |
|-------------------------------|----|-----------------------|
| Revenues:                     |    |                       |
| Principal trading             | \$ | 1,300,217             |
| Interest and divided income   |    | 835,877               |
| Loss on investment securities |    | <u>(20,000)</u>       |
| Total Income                  |    | <u>2,116,094</u>      |
| Expenses:                     |    |                       |
| Interest and dividends paid   |    | 1,149,008             |
| Broker fees                   |    | 238,366               |
| Rent                          |    | 19,800                |
| Professional fees             |    | 14,842                |
| Office expenses               |    | 11,666                |
| Exchange fees                 |    | 10,820                |
| Amortization                  |    | 7,221                 |
| Information services          |    | 5,575                 |
| Seat lease                    |    | 4,800                 |
| Other                         |    | <u>9,119</u>          |
| Total Expenses                |    | <u>1,471,217</u>      |
| Net income                    | \$ | <u><u>644,877</u></u> |

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

ARI PARTNERS, L.L.C.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2005

|                                      |                            |
|--------------------------------------|----------------------------|
| Members' equity at January 1, 2005   | \$ 5,357,744               |
| Capital withdrawals                  | (850,495)                  |
| Net income                           | <u>644,877</u>             |
| Members' equity at December 31, 2005 | <u><u>\$ 5,152,126</u></u> |

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

ARI PARTNERS, L.L.C.

STATEMENT OF CASH FLOWS

FOR YEAR ENDED DECEMBER 31, 2005

Increase (Decrease) in cash

CASH FLOWS FROM OPERATING ACTIVITIES:

|   |    |                |
|---|----|----------------|
| Net income  | \$ | 644,877        |
| Amortization                                      |    | 7,221          |
| Changes in operating assets and liabilities:      |    |                |
| Decrease in due from broker                       |    | 7,463,957      |
| (Increase) in interest and dividend receivable    |    | (43,501)       |
| (Increase) in securities owned at market          |    | (10,116,800)   |
| (Increase) in restricted securities               |    | (63,028)       |
| Increase in securities sold, not yet purchased    |    | 2,943,885      |
| Increase in accounts payable and accrued expenses |    | 9,996          |
| Increase in interest and dividends payable        |    | 3,888          |
| Total adjustments                                 |    | <u>205,618</u> |

NET CASH PROVIDED BY OPERATING ACTIVITIES 850,495

CASH FLOWS FROM FINANCING ACTIVITIES:

|                                   |  |                  |
|-----------------------------------|--|------------------|
| Capital withdrawals               |  | <u>(850,495)</u> |
| CASH USED BY FINANCING ACTIVITIES |  | <u>(850,495)</u> |

NET DECREASE IN CASH -

CASH

|                   |    |                 |
|-------------------|----|-----------------|
| Beginning of year |    | <u>-</u>        |
| End of year       | \$ | <u><u>-</u></u> |

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

**ARI PARTNERS, L.L.C.**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2005**

**NOTE 1- ORGANIZATION AND NATURE OF BUSINESS**

ARI Partners L.L.C., a New York limited liability company (the "Company") was formed in 2003, is registered as a securities broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the American Stock Exchange ("AMEX").

The Company is engaged in the activity of trading options and other securities.

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Concentration of Credit Risk

The Company is engaged in various investment and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

At December 31, 2005 the Company's clearing broker held net assets of \$5,012,034 (100%) on behalf of the Company.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Securities transactions and related income and expenses are recorded on the books on a mark to market basis.

Fair Value of Financial Instruments

The carrying value of financial instruments including due from or payable to clearing broker, interest and dividends receivable and accounts payable and accrued expenses, approximates their fair value due to the relatively short-term nature of these instruments. Securities owned or sold, not yet purchased are marked to market which approximates fair value.

ARI PARTNERS, L.L.C.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income

The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 requires an entity to report comprehensive income and its components and increases financial reporting disclosures. This standard has no impact on the Company's financial position, cash flows or results of operations since no elements of the Company's comprehensive income exist other than the gain from operations.

Recent Accounting Pronouncements

The carrying value of financial instruments including due from clearing brokers, securities balances and accounts and payroll taxes payable, approximates their fair value due to the relatively short-term nature of these instruments.

NOTE 3- INCOME TAXES

No provisions for federal and state income taxes are made in the financial statements as these taxes are the responsibility of the members under this form of organization.

NOTE 4- RECEIVABLE FROM BROKER-DEALERS AND CLEARING ORGANIZATIONS

Amounts receivable from the Company's clearing organization at December 31, 2005, consist of the following:

|                                 |                     |
|---------------------------------|---------------------|
|                                 | <u>Receivable</u>   |
| Receivable from clearing broker | \$ <u>3,770,600</u> |

NOTE 5- SECURITIES OWNED AT MARKET

Marketable securities owned and sold but not yet purchased consist of trading and investment securities at quoted market values, as illustrated below, at December 31, 2005:

|              |                      |                                    |
|--------------|----------------------|------------------------------------|
|              | <u>Owned</u>         | <u>Sold, Not Yet<br/>Purchased</u> |
| Common stock | \$ <u>34,924,350</u> | \$ <u>33,682,916</u>               |

**ARI PARTNERS, L.L.C.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 6- COMMITMENTS AND CONTINGENCIES**

In September, 2004 the Managing Member entered into a one year lease for office space to be paid by the Company. The Company continues to occupy this office space on a month to month rental agreement. Rent expense for office space for 2005 was \$20,400.

Additionally, the Company leases a seat on a semi-annual basis. Seat lease expense for 2005 was \$4,800.

**NOTE 7- NET CAPITAL REQUIREMENTS**

The Company is a member of the American Stock Exchange and is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires that the ratio of aggregate indebtedness to net capital may not exceed 15 to 1, and equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2005, the Company's net capital was \$1,237,721 which was \$1,137,721 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness to net capital ratio was 0.0253 to 1.

**NOTE 8- EXEMPTION FROM RULE 15c3-3**

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

**NOTE 9- OFF BALANCE SHEET RISK**

Pursuant to a clearance agreement, the Company clears all of its securities transactions through its sole clearing broker. Under certain conditions as defined in the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions initiated by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the securities transactions introduced by the Company.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 10- GUARANTEES

FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, requires the Company to disclose information about its obligations under certain guarantee arrangements. FIN 45 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying contract (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or non occurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. FIN 45 also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The maximum potential amount of future payments that the Company could be required to make under the indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

**SUPPLEMENTARY INFORMATION PURSUANT TO RULE 17a-5**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**ARI PARTNERS, L.L.C.**

**SCHEDULE I  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2005**

|  |              |              |
|--|--------------|--------------|
| NET CAPITAL:   |              |              |
| Members' equity  |              | \$ 5,152,127 |
| Less non-allowable assets and deductions:                      |              |              |
| Restricted securities  | 88,028       |              |
| Other  | 16,247       |              |
| JBO investment   | 15,000       |              |
| Deposits receivable  | 1,650        |              |
|  |              | 120,925      |
| Less:  |              |              |
| Haircuts on trading and investment securities                  |              | 3,793,481    |
| NET CAPITAL  |              | \$ 1,237,721 |
| AGGREGATE INDEBTEDNESS, total liabilities                      |              | \$ 31,374    |
| MINIMUM NET CAPITAL REQUIRED (6.67% of aggregate indebtedness) |              | \$ 2,092     |
| MINIMUM NET CAPITAL DOLLAR REQUIREMENT                         |              | \$ 100,000   |
| MINIMUM NET CAPITAL REQUIRED                                   |              | \$ 100,000   |
| EXCESS NET CAPITAL (\$1,237,721 - \$100,000)                   |              | \$ 1,137,721 |
| PERCENTAGE OF AGGREGATE INDEBTEDNESS TO                        | \$ 31,374    |              |
| NET CAPITAL  | \$ 1,237,721 | 2.53%        |

**There are no material differences between the above computation and the computation included in the Company's corresponding unaudited form X-17A-5 Part IIA filing.**

**ARI PARTNERS, L.L.C.**

**INDEPENDENT AUDITOR'S SUPPLEMENTARY REPORT ON  
INTERNAL ACCOUNTING CONTROL**

**DECEMBER 31, 2005**

# KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

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The Members of  
ARI Partners, L.L.C.  
New York, New York

In planning and performing our audit of the financial statements of ARI Partners, L.L.C. (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 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 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 and recordation of differences required by rule 17a-13
2. 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
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraphs. 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 the 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.

ARI Partners, L.L.C.

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 Commission's objectives.

This report recognizes that it is not practicable in an organization the size of ARI Partners, L.L.C. to achieve all the divisions of duties and cross-checks generally included in a system of internal control, and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of the Members, management, the SEC, The American Stock Exchange, 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 is not intended to be and should not be used by anyone other than these specified parties.

*Kempisty & Company, CPAs, P.C.*

Kempisty & Company  
Certified Public Accountants PC  
New York, New York  
February 21, 2006