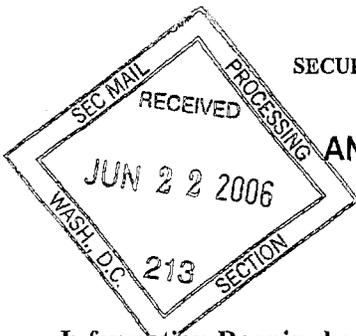




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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

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OMB APPROVAL
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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 1/1/2005 AND ENDING 12/31/2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Musket Research Associates, Inc.

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

125 Cambridgepark Drive

(No. and Street)

Cambridge Massachusetts 02140
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM ID. NO.

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

Barbara Murphy

(617) 441-0489

(Area Code- Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Goldstein Golub Kessler LLP

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

1185 Avenue of the Americas New York NY 10036
(Address) (City) (State)

CHECK ONE:

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

PROCESSED
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).

SEC 1410 (06-02)

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7/8/06

OATH OR AFFIRMATION

I, Barbara Murphy swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Musket Research Associates, Inc., 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:

Barbara Murphy
Signature
Summer Gluck
Title

Joyce O'Neill
Notary Public
JOYCE O'NEILL
Notary Public, State of New York
No. 4608312
Qualified in Nassau County
Commission Expires 7/31/09

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).



GOLDSTEIN GOLUB KESSLER LLP

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
Musket Research Associates, Inc.

We have audited the accompanying statement of financial condition of Musket Research Associates, Inc. as of December 31, 2005. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Musket Research Associates, Inc. as of December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Goldstein Golub Kessler LLP

GOLDSTEIN GOLUB KESSLER LLP

February 8, 2006

MUSKET RESEARCH ASSOCIATES, INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2005

ASSETS

Cash	\$ 39,249
Securities Owned, at fair value	24,170
Total Assets	\$ 63,419

LIABILITIES AND SHAREHOLDER'S DEFICIENCY

Liabilities - accrued expenses	\$ 72,139
Shareholder's Deficiency:	
Common stock - \$10 par value; authorized 200 shares, issued and outstanding 100 shares	1,000
Additional paid-in capital	382,000
Deficit	(391,720)
Total shareholder's deficiency	(8,720)
Total Liabilities and Shareholder's Deficiency	\$ 63,419

See Notes to Statement of Financial Condition

MUSKET RESEARCH ASSOCIATES, INC.

NOTES TO STATEMENT OF FINANCIAL CONDITION December 31, 2005

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1. **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:** Musket Research Associates, Inc. (the "Company") is a broker-dealer registered with the National Association of Securities Dealers, Inc. (the "NASD").
- The Company records revenue from placement fees on the date the placement is completed.
- Securities owned are valued at fair value as determined by management.
- The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.
- These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which require the use of estimates by management.
2. **INCOME TAXES:** No provision for federal or state income taxes has been made as the Company is an S Corporation and, as such, is not liable for federal or state income tax payments.
3. **RELATED PARTY TRANSACTION:** The general and administrative services of the Company are provided by an entity whose sole shareholder is also the sole shareholder of the Company.
4. **CONCENTRATION:** Securities owned consist entirely of warrants of a company in the biomedical industry.
5. **NET CAPITAL REQUIREMENT:** As a broker-dealer and a member organization of the NASD, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission, which requires that the Company maintain minimum net capital of 6-2/3% of aggregate indebtedness, as defined, or \$5,000, whichever is greater. At December 31, 2005, the Company had a net capital deficit of \$(32,890), which was below its minimum net capital requirement by \$37,890.
- Upon discovery of the December 31, 2005 deficiency in January 2006, the Company had generated sufficient regulatory net capital through operations.