

fy
3/9

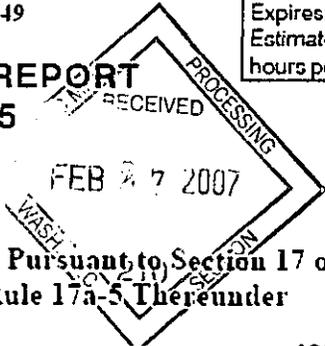


07002412

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden	
hours per response.....	12.00

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



SEC FILE NUMBER
8- 66690

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 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Western Reserve Partners LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

200 Public Square, Suite 3020

(No. and Street)

Cleveland
(City)

Ohio
(State)

44114
(Zip Code)

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

William E. Goodill

216.574.2100

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SS&G Financial Services, Inc.

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

301 Springside Drive
(Address)

Akron
(City)

Ohio
(State)

44333
(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 14 2007

FOR OFFICIAL USE ONLY	THOMSON FINANCIAL
------------------------------	------------------------------

*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)

MA

OATH OR AFFIRMATION

I, William E. Goodill, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Western Reserve Partners LLC, as of December 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:



William E. Goodill
Signature
Financial Operations Officer
Title

Kelly M. Siemer
Notary Public

KELLY M. SIEMER, Notary Public
State of Ohio, Cuyahoga County
My Commission Expires September 27, 2011

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.

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

WESTERN RESERVE PARTNERS LLC

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITORS'	1
FINANCIAL STATEMENTS	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Members' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
SUPPLEMENTAL INFORMATION	
Computation of Net Capital Pursuant to Rule 15c3-1	10
Statement Regarding Rule 15c3-3	11
SUPPLEMENTARY REPORT	
Independent Auditors' Supplementary Report on Internal Control	12-13

REPORT OF INDEPENDENT AUDITORS'

Akron Office

301 Springside Drive
Akron, Ohio 44333
(330) 668-9696
fax (330) 668-2538
www.SSandG.com

To the Members of
Western Reserve Partners LLC

We have audited the accompanying statement of financial condition of Western Reserve Partners LLC as of December 31, 2006, and the related statements of income, changes in 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 Western Reserve Partners LLC as of December 31, 2006, 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 supplemental information 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.

SS&G Financial Services

CERTIFIED PUBLIC ACCOUNTANTS

February 20, 2007
Akron, Ohio

*Providing the
services that
bring solutions.*

member of:
OSCPA, PCAOB, the AICPA's
Center for Public Company
Audit Firms, and The Leading
Edge Alliance.

WESTERN RESERVE PARTNERS LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31,
2006

ASSETS

Cash	\$	4,204,469
Accounts receivable		1,873,279
Prepaid and other current assets		37,420
Investments		395,886
Property and equipment at cost, less accumulated depreciation of \$72,104		141,580
Long-term receivable - related party		7,600
Other assets		<u>7,914</u>
	\$	<u>6,668,148</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Accounts payable	\$	871
Accrued expenses		522,142
Accrued payroll		550,750
Deferred revenue		56,667
Deferred rent		<u>27,639</u>
TOTAL LIABILITIES		1,158,069

MEMBERS' EQUITY

5,510,079
\$ 6,668,148

See accompanying notes to financial statements.

WESTERN RESERVE PARTNERS LLC

STATEMENT OF INCOME

	FOR THE YEAR ENDED DECEMBER 31, <u>2006</u>
REVENUES	
Fees	\$ 9,108,140
Interest income	<u>102,788</u>
TOTAL REVENUES	9,210,928
EXPENSES	
Employee compensation and benefits	1,768,211
Management fees	2,028,000
Referral and other client expenses	653,050
Occupancy and depreciation	158,851
Legal and professional fees	479,316
Dues and subscriptions	131,686
Communications and data processing	130,494
Other expenses	83,403
Repairs and maintenance	<u>38,261</u>
TOTAL EXPENSES	<u>5,471,272</u>
INCOME BEFORE INCOME TAXES	3,739,656
CITY INCOME TAXES	<u>75,102</u>
NET INCOME	<u>\$ 3,664,554</u>

See accompanying notes to financial statements.

WESTERN RESERVE PARTNERS LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2006

	Members' Equity		Accumulated Other Comprehensive Income	Total
	Common Units	Class A Units		
Balance at December 31, 2005	\$ 496,378	\$ 1,551,596	\$ -	\$ 2,047,974
Comprehensive income:				
Net income	3,176,069	488,485	-	3,664,554
Other comprehensive income:				
Unrealized gains on available for sale securities	-	-	97,551	97,551
Total comprehensive income				3,762,105
Distributions	(300,000)	-	-	(300,000)
Balance at December 31, 2006	\$ 3,372,447	\$ 2,040,081	\$ 97,551	\$ 5,510,079

See accompanying notes to financial statements.

WESTERN RESERVE PARTNERS LLC

STATEMENT OF CASH FLOWS

INCREASE (DECREASE) IN CASH

	FOR THE YEAR ENDED DECEMBER 31, <u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 3,664,554
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	37,049
Loss on sale of property and equipment	2,741
Investment received in lieu of cash	(110,835)
Cash provided (used) by:	
Accounts receivable	(1,382,410)
Prepaid and other current assets	382,597
Accounts payable	(3,532)
Accrued expenses	739,254
Deferred revenue	(20,740)
Deferred rent	<u>4,724</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,313,402
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of property and equipment	3,500
Capital expenditures	<u>(22,111)</u>
NET CASH USED BY INVESTING ACTIVITIES	(18,611)
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash distributions	<u>(1,537,564)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(1,537,564)</u>
NET INCREASE IN CASH	1,757,227
Cash at beginning of year	<u>2,447,242</u>
Cash at end of year	<u>\$ 4,204,469</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for income taxes	<u>\$ 14,552</u>

See accompanying notes to financial statements.

WESTERN RESERVE PARTNERS LLC

NOTES TO FINANCIAL STATEMENTS

NOTE A – Organization and nature of business

Western Reserve Partners LLC (the "Company") provides customized investment banking solutions for middle market companies. The Company is a limited liability company organized under the laws of Ohio and was incorporated on June 14, 2004. The Company is registered as a broker-dealer under the Securities Exchange Act of 1934, and is a member of the National Association of Securities Dealers (NASD).

WRP Management, Inc. (WRP), a related party through common ownership of the common member, is the Manager of the Company. WRP provides management services to the Company for which it earns a fee as defined in the agreements. During 2006, the Company paid to WRP management fees totaling \$2,028,000.

NOTE B – Summary of significant accounting policies

Basis of accounting

The financial statements of the Company have been prepared on the accrual basis of accounting.

Revenue recognition

The Company's services are provided in accordance with signed contracts. The fees for the engagements are stated within the contracts and typically include both advance fees and success fees. The Company recognizes revenues from advance fees proportionally over the estimated life of the services. The success fees, which are typically contingent in nature, are recognized as revenue upon fulfillment of the services set forth in the contracts.

Concentration of credit risk

The Company maintains its cash balances in one financial institution located in Cleveland, Ohio. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000.

The Company's three largest customers accounted for approximately 71% of net revenue for the year ended December 31, 2006. The Company performs periodic credit evaluations of its customers' financial condition but generally does not require collateral. There have been no credit losses to date.

As of December 31, 2006, the Company had no other significant concentrations of risk.

Accounts receivable

The Company reports trade receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings.

WESTERN RESERVE PARTNERS LLC

NOTES TO FINANCIAL STATEMENTS

NOTE B – Summary of significant accounting policies, continued

Investments

The Company has a 12.5% investment in BC Investment Partners LLC, which is carried at cost (\$187,500 at December 31, 2006). It also received 47,776 shares of DPAC common stock (ticker: DPAC) as partial payment for services rendered during 2006. These shares have been classified as available-for-sale and are carried at fair market value, with unrealized holding gains and losses included in other comprehensive income.

Other Comprehensive income

Other comprehensive income refers to revenues, expenses, gains and losses that under accounting principles generally accepted in the United States are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to members' equity. Accumulated other comprehensive income at December 31, 2006 consisted entirely of unrealized gains on the Company's available-for-sale securities.

Property and equipment

Property and equipment consisted of the following at December 31, 2006:

Automobile	\$ 18,508
Furniture and fixtures	63,367
Office equipment	109,497
Leasehold improvements	<u>22,312</u>
	213,684
Less accumulated depreciation	<u>72,104</u>
	<u>\$ 141,580</u>

The straight-line method is generally used to provide for depreciation over the estimated useful lives of the assets, primarily 5 years for automobiles, 7 years for furniture and fixtures, 5 years for computer equipment, and 10 years for leasehold improvements.

Allocation of profits and losses

Profits and losses of the Company, with the exception of special allocations, are essentially allocated to each member based on the ratio of their Common or Class A units to the total number of outstanding units, inclusive of both Common and Class A units.

Income taxes

The Company, with the consent of its members, has elected to be formed as a limited liability company. The operating agreement, construed under Ohio laws, states that the Company will be treated as a partnership for federal and state income tax purposes. In lieu of paying taxes at the company level, the members of a limited liability company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

WESTERN RESERVE PARTNERS LLC

NOTES TO FINANCIAL STATEMENTS

NOTE B – Summary of significant accounting policies, continued

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at 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.

NOTE C – Membership interests

The Class A units issued contain a put option as defined in the Operating Agreement. This put option provides each Class A unit holder the one-time option, on May 31, 2008, to sell to the Company and require the Company to purchase and redeem such interests from the Class A unit holder at a specified price. The put option price is defined in the Operating Agreement as the greater of the holder's proportionate ownership share of the appraised value of the Company or the face value of the Class A unit plus an amount that will yield to the unit holder a 5% internal rate of return.

The Operating Agreement also contains a call option provision whereby the Company can purchase and redeem some or all of the Class A units on June 30, 2008. The call option price is the greater of the unit holders' ownership share of the appraised value of the Company or face value plus a 15% internal rate of return.

NOTE D – Investments

The Company's investments included common stocks. The following is a summary of available-for-sale securities at December 31, 2006:

<u>Description of Assets</u>	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Fair Value</u>
DPAC Stock	\$ 110,835	\$ 97,551	\$ 208,386

Unrealized net holding gains on available-for-sale securities included as a separate component of members' equity totaled \$97,551 at December 31, 2006.

WESTERN RESERVE PARTNERS LLC

NOTES TO FINANCIAL STATEMENTS

NOTE E – Lease commitments

The Company leases its office facilities under an operating lease agreement which expires on September 30, 2009. Total rental expense related to this lease was \$121,801 in 2006.

As part of normal operations, the Company has other operating leases related to office equipment. Total rental expense related to these leases was \$6,273 in 2006.

Future minimum lease payments under the office space lease and the other operating leases as of December 31, 2006 are as follows:

2007	\$ 127,941
2008	128,157
2009	<u>96,437</u>
	<u>\$ 352,535</u>

The office lease agreement provides for escalating rent payments at various times during the lease term. Generally accepted accounting principles require that rent be recorded on a straight-line basis over the life of the lease. Accordingly, rent expense was increased by \$4,724 in 2006 to reflect rent expense on the straight-line basis. An aggregate difference of \$27,639 at December 31, 2006 has been recorded on the statement of financial condition relating to the difference between actual rent payments and the amount which would have been paid if payments were made on the straight-line basis.

NOTE F Profit sharing plan

The Company has a 401(k) profit sharing plan that covers substantially all employees. The Company is required to match 3% of the employees' contribution up to limits established by the IRS. Profit sharing contributions to the plan are discretionary and are determined by its Board of Directors. Total contributions to the plan were \$59,850 for the year ended December 31, 2006.

NOTE G – Net capital requirements

As a member organization of the NASD, the Company is subject to the Uniform Net Capital rule 15c3-1 adopted by the SEC and administered by the NASD, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Company's minimum net capital requirement as of December 31, 2006 was \$77,204. At December 31, 2006, the Company's net capital was \$3,046,400 and exceeded the minimum net capital requirement by \$2,969,196. The Company's ratio of aggregate indebtedness at December 31, 2006 was 0.38 to 1.

Supplemental Information

WESTERN RESERVE PARTNERS LLC

COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

DECEMBER 31, 2006

Total Members' Equity from Statement of Financial Condition	\$ 5,510,079
Nonallowable assets:	
Accounts receivable	1,873,279
Investments at cost	187,500
Long-term receivable – related party	7,600
Property and equipment-net of depreciation	141,580
Other assets	<u>45,334</u>
Total nonallowable assets	2,255,293
Haircuts on securities	208,386
Net Capital	\$ 3,046,400
Net capital requirement (6 2/3% of aggregate Indebtedness)	<u>\$ 77,204</u>
Excess net capital	\$ 2,969,196
Total aggregate indebtedness	\$ 1,158,069
Percentage of aggregate indebtedness to net capital	38%

Statement Pursuant to Paragraph (d)(4) Rule 17a-5

The above computation of net capital agrees with the corresponding computation prepared by the Company for inclusion on its Part II FOCUS Report filing as of December 31, 2006.

WESTERN RESERVE PARTNERS LLC

STATEMENT REGARDING RULE 15c3-3

DECEMBER 31, 2006

The Company is exempt from rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(i) of that rule.

Supplemental Information

INDEPENDENT AUDITORS' SUPPLEMENTARY
REPORT ON INTERNAL CONTROL

Akron Office

301 Springside Drive
Akron, Ohio 44333
(330) 668-9696
fax (330) 668-2538
www.SSandG.com

To the Members of
Western Reserve Partners LLC

In planning and performing our audit of the financial statements of Western Reserve Partners LLC (the Company), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included 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 (or aggregate debits) 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

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 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.

*Providing the
services that
bring solutions.*

member of:
OSCPA, PCAOB, the AICPA's
Center for Public Company
Audit Firms, and The Leading
Edge Alliance.

Because of inherent limitations in internal control and 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a *misstatement* of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, as described in the second paragraph of this report, were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that 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.

SS&G Financial Services
Certified Public Accountants & Advisors

www.SSandG.com

SS&G Financial Services

CERTIFIED PUBLIC ACCOUNTANTS

February 20, 2007
Akron, Ohio

END