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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: ~~September 30, 1998~~  
Estimated average burden  
hours per response ... 12.00

SECURITIES AND EXCHANGE COMMISSION  
**RECEIVED**  
  
JUN 21 2007  
  
BRANCH OF REGISTRATIONS  
AND  
EXAMINATIONS  
02

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

SEC FILE NUMBER  
8-67226

**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 01/01/2006 AND ENDING 12/31/06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Borealis Partners, LLC

OFFICIAL USE ONLY  
FIRM ID. NO.

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

14 Stevens Rd

(No. and Street)

Cranston

RI

02910

(City)

(State)

(Zip Code)

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

Ernest P. Baptista, Jr

401-261-6791

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Piccerelli Gilstein & Co LLC

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

144 Westminster St

Providence RI

02903

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

**PROCESSED**

**B JUN 22 2007**

**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).

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6/21

OATH OR AFFIRMATION

I, Ernest P. Baptista, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Borealis Partners, LLC, as of 12/31, 192006, 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]  
Signature  
Mark Christopher Coffey  
Title

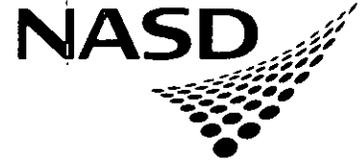
[Signature]  
Notary Public

- 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 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).

May 8, 2007

BY CERTIFIED MAIL 7005 1160 0001 3274 1910



Mr. Ernest Baptista, Jr.  
Chief Executive Officer  
Borealis Partners, LLC  
14 Stevens Road  
Cranston, RI 02910

Dear Mr. Baptista:

This acknowledges receipt of your December 31, 2006 annual filing of audited financial statements made pursuant to U.S. Securities and Exchange Commission (SEC) Rule 17a-5(d) (the Rule). The report as submitted appears deficient in that it did not contain the following:

1. Facing Page (see enclosed) signed and notarized.

Based on the above, your filing does not comply with the requirements of the Rule. The text of the Rule is reproduced in the *NASD Manual* under the section titled *SEC Rules & Regulation T*. We urge you to review the Rule with your independent accountant.

Pursuant to the provisions of NASD Rule 8210, we request that you send one copy of each item(s) listed above to this office and to the appropriate SEC regional or district office, and two copies to the SEC Washington, D.C. office. Your submissions must include a new completed Form X-17A-5 Part III Facing Page, a copy of which is enclosed for your convenience.

Please respond to this matter by **May 22, 2007**. Questions may be addressed to Kathryn Travers, Senior Compliance Examiner at 617-532-3456.

Sincerely,

*Frank T. Kotopoulos /KET*

Frank T. Kotopoulos  
Supervisor

FTK/cb

Enclosure: Form X-17A-5 Part III Facing Page

cc: Ms. Lucy A. Corkery, Assistant District Administrator, Broker/Dealer Section,  
Securities and Exchange Commission

COPY

*Financial Statements*

**Borealis Partners, LLC**

December 31, 2006

**BOREALIS PARTNERS, LLC**

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FOR THE YEAR ENDED DECEMBER 31, 2006**

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PIERCE, CERELLI, GILSTEIN  
& COMPANY, LLP

*Certified Public Accountants and Consultants*

144 Westminster St., Providence, R.I. 02903

401-331-0200 Fax: 401-331-8562

www.pcgco.com

**INDEPENDENT AUDITORS' REPORT**

Borealis Partners, LLC:

We have audited the accompanying statement of financial condition of Borealis Partners, LLC (a Rhode Island Limited Liability Company) as of December 31, 2006, and the related statements of operations and members' equity, and cash flows for the year then ended. 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 Borealis Partners, LLC as of December 31, 2006, 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 the schedules on pages 7 to 11 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 and 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.

*Pierce, Cerelli, Gilstein & Company LLP*

Providence, Rhode Island  
March 21, 2007



**BOREALIS PARTNERS, LLC**

**STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2006**

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**ASSETS**

Cash	\$ 50,916
Commissions receivable	<u>118,833</u>
Total assets	<u><u>169,749</u></u>

**LIABILITIES AND MEMBERS' EQUITY**

Taxes payable	500
Accrued expenses	<u>11</u>
Total liabilities	<u>511</u>
Members' equity	<u>169,238</u>
Total liabilities and members' equity	<u><u>\$ 169,749</u></u>

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See notes to financial statements.

**BOREALIS PARTNERS, LLC**

**STATEMENT OF OPERATIONS AND MEMBERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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REVENUE:

Commission income \$ 713,921

OPERATING EXPENSES:

Communications 925

Dues and subscriptions 130

Employee compensation and commissions 546,331

Insurance 4,677

Licenses and filing fees 1,161

Office 886

Professional fees 17,213

Travel 2,220

Taxes 1,000

Total operating expenses 574,543

NET INCOME 139,378

Members' equity, beginning of the year 14,860

Members' capital contributions 15,000

MEMBERS' EQUITY, END OF THE YEAR \$ 169,238

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See notes to financial statements.

**BOREALIS PARTNERS, LLC**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income	<u>\$ 139,378</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in cash from changes in assets and liabilities:	
Commissions receivable	(118,833)
Accrued expenses	<u>511</u>
Total adjustments	<u>(118,322)</u>
Net cash provided by operating activities	<u>21,056</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Members' capital contributions	<u>15,000</u>
Increase in cash during the year	36,056
Cash, beginning of the year	<u>14,860</u>
CASH, END OF THE YEAR	<u><u>\$ 50,916</u></u>

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See notes to financial statements.

## BOREALIS PARTNERS, LLC

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Borealis Partners, LLC (Company) was formed October 3, 2005 as a limited liability company under Chapter 7-16 of the General Laws of Rhode Island. In accordance with the articles of organization, the duration of the Company is perpetual.

The Company operates as a limited purpose broker/dealer offering private placement of limited partnership units, sold exclusively to insurance companies. The Company's primary source of revenue is commissions derived from the sale of the limited partnership units.

Cash – The Company maintains cash balances at a commercial bank. Accounts at the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash in this account at times exceeds \$100,000.

Commissions receivable – Commissions receivable are recorded at the amount management expects to collect from the commissions due as a broker/dealer. An allowance for doubtful accounts is deemed not necessary due to the nature of the service provided.

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.

Income taxes – The Company has elected to be taxed as a partnership for income tax purposes. Under the Internal Revenue Code, the Company's income (losses) will be taxed at the member level; therefore, no provision for income taxes is reflected in the financial statements of the Company.

#### 2. CONCENTRATIONS

During 2006, 100% of revenues were derived from the sale of one product offered by Fixed Income Discount Advisory Company (FIDAC). At December 31, 2006, commissions receivable of \$118,833 was due from FIDAC.

**3. NET CAPITAL REQUIREMENTS**

The Company, as a registered broker/dealer, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), 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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2006, the Company had net capital of \$50,405, which was \$45,405 in excess of its required net capital of \$5,000.

**4. PROFIT SHARING PLAN**

The Company maintains a qualified 401(k) profit sharing plan covering all employees who have attained age 21. Under the plan, employees may elect to defer a percentage of their compensation each year, subject to Internal Revenue Service limits. The Company's contribution to the plan is comprised of a discretionary matching contribution and a discretionary profit sharing contribution, determined on an annual basis by the Company. During 2006, the Company contributions to the plan totaled \$2,325.

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**BOREALIS PARTNERS, LLC**

COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL  
IN ACCORDANCE WITH RULE 15c3-1 UNDER THE SECURITIES  
EXCHANGE ACT OF 1934  
DECEMBER 31, 2006

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AGGREGATE INDEBTEDNESS:

Total liabilities	<u>\$ 511</u>
Total aggregate indebtedness	<u><u>\$ 511</u></u>

NET CAPITAL:

Credit items:

Members' equity	\$ 169,238
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Deduct nonallowable assets:

Commissions receivable	<u>118,833</u>
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Net capital	<u><u>\$ 50,405</u></u>
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Capital requirements:

Minimum dollar requirement	\$ 5,000
Net capital exceeding requirements	<u>45,405</u>

Net capital	<u><u>\$ 50,405</u></u>
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Percentage of aggregate indebtedness to net capital	<u><u>1.01%</u></u>
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**BOREALIS PARTNERS, LLC**

RECONCILIATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS PER  
AUDIT REPORT TO CLIENT'S FOCUS REPORT  
DECEMBER 31, 2006

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Aggregate indebtedness per audit report	\$ 511
Aggregate indebtedness per Focus Report	<u>2,625</u>
Audit adjustment to accounts payable	<u>\$ (2,114)</u>
Net capital per audit report	\$ 50,405
Net capital per Focus Report	<u>48,291</u>
Audit adjustment to accounts payable	<u>\$ 2,114</u>

**BOREALIS PARTNERS, LLC**

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS  
DECEMBER 31, 2006**

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This company claims exemption to SEC Rule 15c3-3 pursuant to subparagraph k2i.

**BOREALIS PARTNERS, LLC**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENT  
DECEMBER 31, 2006**

---

This company claims exemption to SEC Rule 15c2-3 pursuant to subparagraph k2i.

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Borealis Partners, LLC

In planning and performing our audit of the financial statements and supplementary information of Borealis Partners, LLC for the year ended December 31, 2006, 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 periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining the 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
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 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 the assets for which the Company has responsibility are safeguarded against losses 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 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.

Borealis Partners, LLC

Page two

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 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, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Members, management, the SEC, and other regulatory agencies that rely on rule 17a-2(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 for anyone other than these specified parties.

March 21, 2007

END