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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 Section**  
**PART III**  
SEC Processing  
MAR 30 2009  
Washington, DC

<b>SEC FILE NUMBER</b>
8-53126

**FACING PAGE**  
Information Required of Brokers and Dealers and Issuers pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2008 AND ENDING December 31, 2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**Instream Partners, LLC**

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

**545 Middlefield Road, Suite 150**

<b>OFFICIAL USE ONLY</b>
FIRM ID NO.

<b>Menlo Park</b>	(No. and Street) <b>CA</b>	<b>94025</b>
(City)	(State)	(Zip Code)

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

**John Schlesinger**

**(650) 853-8699**

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

**Harb, Levy & Weiland LLP**

<b>The Landmark @ One Market, 6<sup>th</sup> Floor</b>	<b>San Francisco</b>	<b>CA</b>	<b>94105</b>
(Address)	(City)	(State)	(Zip Code)

**CHECK ONE:**

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

<b>FOR OFFICIAL USE ONLY</b>

\* 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).

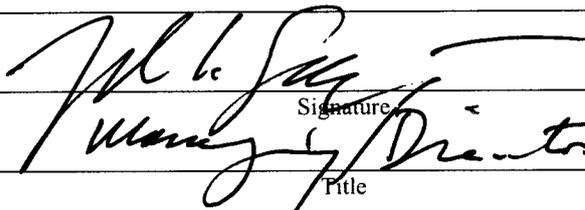
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MR

## OATH OR AFFIRMATION

I, **John Schlesinger**, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedules pertain to the firm of **Instream Partners, LLC**, as of **December 31, 2008**, and 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  
\_\_\_\_\_  
Managing Director  
\_\_\_\_\_  
Title

State of California  
County of San Francisco

Subscribed and sworn to before me  
this 27 day of March 2009

  
\_\_\_\_\_  
Notary Public



This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' Equity or Members' Equity 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.
- (o) Independent auditor's report on internal control required by SEC Rule 17a-5.
- (p) Independent auditor's report on internal control required by SEC Rule 17a-5 for a Broker-Dealer claiming exemption from SEC Rule 15c3-3.

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

SEC Mail Processing  
Section

MAR 30 2009

Washington, DC  
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INSTREAM PARTNERS, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2008



Independent Auditors' Report

To the Member  
Instream Partners, LLC

We have audited the accompanying statement of financial condition of Instream Partners, LLC (the "Company") as of December 31, 2008. 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 statement of financial condition presentation. We believe that our audit 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 Instream Partners, LLC as of December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

*Harb, Levy & Weiland LLP*

San Francisco, California  
March 26, 2009

*Member of NEXIA International, A Worldwide Association of Independent Accounting Firms*

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INSTREAM PARTNERS, LLC  
Statement of Financial Condition  
December 31, 2008

<b><i>Assets</i></b>	
Cash	\$ 38,405
Accounts receivable	71,294
Due from affiliate	8,755
Prepaid expenses	<u>717</u>
<b><i>Total assets</i></b>	<b><u><u>\$ 119,171</u></u></b>
 <b><i>Liabilities and Member's Equity</i></b>	
Accounts payable and accrued expenses	\$ 17,260
Distribution payable to former member	<u>10,009</u>
<b><i>Total liabilities</i></b>	<b>27,269</b>
 Member's equity	 <u>91,902</u>
<b><i>Total liabilities and member's equity</i></b>	<b><u><u>\$ 119,171</u></u></b>

***See Accompanying Notes to Statement of Financial Condition***

INSTREAM PARTNERS, LLC  
Notes to Statement of Financial Condition  
December 31, 2008

1. Business and Summary of Significant Accounting Policies

Business

Instream Partners, LLC (the "Company") is a California limited liability company formed on December 1, 2000. The Company is registered with the Securities and Exchange Commission as a securities broker dealer and is a member of the Financial Industry Regulatory Authority (FINRA). The Company provides investment banking services with a focus on middle market growth companies.

Cash

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Income Taxes

No provision for federal or state income taxes has been made since the Company's income is allocated to the member for inclusion in his income tax returns.

Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN48"), establishes new guidance on recognition and measurement of certain tax positions for financial reporting purposes. The Company has elected to defer application of FIN48 until 2009 pursuant to FASB Staff Position 48-3. The Company believes it has no tax positions that would be subject to recognition or measurement under FIN48 and does not expect application of FIN48 to have a material impact on the financial statements.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

INSTREAM PARTNERS, LLC  
Notes to Statement of Financial Condition  
December 31, 2008

2. Accounts Receivable

Accounts receivable from clients are stated at the amount management expects to collect from outstanding balances based on its assessment of the current status of individual accounts. Doubtful accounts are periodically reviewed for collectability and are written off when all collection efforts have been exhausted. As of December 31, 2008, there was no allowance for doubtful accounts.

3. Net Capital Requirements

The Company 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. At December 31, 2008, the Company had net capital of \$10,302, which was \$5,302 in excess of its required net capital of \$5,000. The Company's aggregate indebtedness to net capital ratio was 2.65 to 1.

4. Transactions with Affiliate

The Company has an agreement with VIA Incorporated (VIA), an entity which provides investment banking services to certain of the Company's clients and shares office space and other operating expenses with the Company. Under the terms of the agreement, VIA reimburses the Company 50% for all FINRA-related expenses and audit fees, and 75% for other operating expenses including rent, accounting services, insurance and taxes as well as other non-FINRA office expenses. The Company pays a portion of its revenue to VIA as consulting and advisory fee commissions for deals on which VIA assisted the Company.

At December 31, 2008, the outstanding receivable from VIA was \$8,755.

5. Lease Obligation

The Company operates from a leased office space in Menlo Park, California. The lease expires on August 31, 2011. Under the terms of the lease agreement, the Company is charged a monthly base rent and is allocated its share of direct expenses. While the Company is a signatory on the lease, only 25% of the total rent expense is allocated to the Company with the remainder allocated to VIA.

INSTREAM PARTNERS, LLC  
Notes to Statement of Financial Condition  
December 31, 2008

5. Lease Obligation (continued)

The Company's share of approximate future minimum lease payments on the non-cancelable lease is as follows:

<u>Year ending December 31,</u>	<u>Total</u>
2009	\$ 25,000
2010	26,300
2011	<u>20,400</u>
	<u>\$ 71,700</u>

6. Subsequent Event

On January 30, 2009, the member made an additional capital contribution of \$36,700.