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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

SEC  
MAR 03 2009  
Washington, DC

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 01/01/08 AND ENDING 12/31/08  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BOREALIS PARTNERS, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
14 Stevens Rd  
(No. and Street)  
CRAWSTON RI 02910  
(City) (State) (Zip Code)

OFFICIAL USE ONLY  
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Ernest P. Baptista, Jr 401-261-6791  
(Area Code - Telephone Number)

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 Westminister 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.

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED  
MAR 03 2009  
BRANCH OF REGISTRATIONS  
AND  
EXAMINATIONS

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)

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, 2008, 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

[Title]  
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 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 15c3-3 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).



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

## PICCERELLI, GILSTEIN & COMPANY, LLP

*Certified Public Accountants and Consultants*

144 Westminster St., Providence, R.I. 02903  
401-831-0200 Fax: 401-331-8562  
www.pgco.com

In planning and performing our audit of the financial statements of Borealis Partners, LLC as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Borealis Partners, LLC'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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of significant deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in Borealis Partners, LLC's internal control to be a material weakness:

### **FINANCIAL STATEMENT PREPARATION**

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements and supplemental schedules, including the notes to the financial statements, in accordance with generally accepted accounting principles.



William J. Piccerelli, CPA, CVA, ABV • Richard J. Sullivan, CPA, MST  
John M. Mathias, CPA, MST, CVA, ABV • Patricia A. Thompson, CPA, MST, PFS • Michael M. Tikoian, CPA, MBA, CNE, CITP  
Frank R. DeLuca, CPA, MST, CFE, PFS • Sharon R. Kennedy, CPA • Kevin A. Papa, CPA, MST, CVA, ABV  
Alan M. Gilstein, CPA, PFS [1943-2008]

Management may choose to outsource certain accounting functions due to cost or training considerations. Management is responsible for outsourced functions performed by a service provider as it would be if its personnel performed such functions.

As part of the audit, management requested us to prepare a draft of your financial statements and supplemental schedules, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for those financial statements and supplemental schedules prior to issuance; however, management does not appear to have the ability to evaluate the completeness of financial statement disclosures. The absence of the ability to perform this control procedure is considered a material weakness because the potential exists that a material misstatement of the entity's financial statements could occur and not be prevented or detected by the entity's internal control.

The existence of this practice may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost considerations. Management is responsible for making decisions concerning costs and related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with our professional standards regardless of management's decisions.

\* \* \* \* \*

This communication is intended solely for the information and use of management, those charged with governance and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Should you have any questions concerning the matters presented herein, we shall be pleased to discuss them with you.

Very truly yours,

February 26, 2009

*Piccerelli, Sabatini & Company LLP*

*Financial Statements  
and Supplemental Information*

Borealis Partners, LLC

December 31, 2008

**BOREALIS PARTNERS, LLC**

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FOR THE YEAR ENDED DECEMBER 31, 2008**

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**PICCERELLI, GILSTEIN  
& COMPANY, LLP**

*Certified Public Accountants and Consultants*

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401-831-0200 Fax: 401-331-8562

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**INDEPENDENT AUDITORS' REPORT**

Borealis Partners, LLC  
Cranston, Rhode Island

We have audited the accompanying statement of financial condition of Borealis Partners, LLC (a Rhode Island Limited Liability Company) as of December 31, 2008, and the related statements of operations and 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 Borealis Partners, LLC as of December 31, 2008, 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 information contained in the schedules on pages 7 to 12 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.

*Piccerelli, Gilstein & Company LLP*

February 26, 2009



William J. Piccerelli, CPA, CVA, ABV • Richard J. Sullivan, CPA, MST

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Alan M. Gilstein, CPA, PFS [1943-2008]

**BOREALIS PARTNERS, LLC**

STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2008

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**ASSETS**

CURRENT ASSETS:

Cash \$ 52,690

PROPERTY AND EQUIPMENT 2,078

Less accumulated depreciation 702

Property and equipment, net 1,376

Total assets 54,066

**LIABILITIES AND MEMBERS' EQUITY**

Accrued expenses 2,525

Members' equity 51,541

Total liabilities and members' equity \$ 54,066

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See notes to financial statements.

**BOREALIS PARTNERS, LLC**

**STATEMENT OF OPERATIONS AND MEMBERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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REVENUE:	
Commission income	\$ 80,228
OPERATING EXPENSES:	
Communications	702
Depreciation	416
Dues and subscriptions	2,045
Employee compensation and commissions	74,527
Insurance	3,530
Office	306
Outside services	659
Professional fees	23,127
Rent	1,400
Travel	1,049
Taxes	500
Total operating expenses	<u>108,261</u>
NET LOSS	(28,033)
Members' equity, beginning of the year	94,574
Distributions	<u>15,000</u>
MEMBERS' EQUITY, END OF THE YEAR	<u>\$ 51,541</u>

See notes to financial statements.

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**BOREALIS PARTNERS, LLC**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net loss	<u>\$ (28,033)</u>
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	416
Increase in cash from changes in assets and liabilities:	
Commissions receivable	55,518
Commissions payable	(45,000)
Accrued expenses	<u>1,016</u>
Total adjustments	<u>11,950</u>
Net cash used for operating activities	<u>(16,083)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Members' distributions	<u>(15,000)</u>
Decrease in cash during the year	(31,083)
Cash, beginning of the year	<u>83,773</u>
<b>CASH, END OF THE YEAR</b>	<u><u>\$ 52,690</u></u>

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See notes to financial statements.

## BOREALIS PARTNERS, LLC

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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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 \$250,000.

*Property and equipment* – Property and equipment consists of computer equipment and are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

*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 2008, 100% of commissions were derived from the sale of one product offered by Fixed Income Discount Advisory Company (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, 2008, the Company had net capital of \$50,165, which was \$45,165 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 2008, Company contributions to the plan totaled \$713.

**5. RELATED PARTY TRANSACTIONS**

During 2008, the Company entered into a tenant-at-will arrangement with an officer of the Company. The Company is presently paying rent of \$200 per month for its office space on Stevens Road, Cranston, Rhode Island. During the year ended December 31, 2008, the Company incurred rent expense totaling \$1,400, which is included in accrued expenses.

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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, 2008

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AGGREGATE INDEBTEDNESS:

Total liabilities \$ 2,525

Total aggregate indebtedness \$ 2,525

NET CAPITAL:

Credit items:

Members' equity \$ 51,541

Deduct nonallowable assets:

Equipment 1,376

Net capital \$ 50,165

Capital requirements:

Minimum dollar requirement \$ 5,000

Net capital exceeding requirements 45,165

Net capital \$ 50,165

Percentage of aggregate indebtedness to net capital 5.03%

**BOREALIS PARTNERS, LLC**

**RECONCILIATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS PER  
AUDIT REPORT TO CLIENT'S FOCUS REPORT  
DECEMBER 31, 2008**

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Aggregate indebtedness per audit report	\$ 2,525
Aggregate indebtedness per Focus Report	<u>2,225</u>
Audit adjustment to accounts payable	<u>\$ 300</u>
Net capital per audit report	\$ 50,165
Net capital per Focus Report	<u>52,456</u>
Audit adjustment to accounts payable	<u>\$ (2,291)</u>

**BOREALIS PARTNERS, LLC**

INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS  
DECEMBER 31, 2008

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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, 2008**

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

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**

Borealis Partners, LLC  
Cranston, Rhode Island

In planning and performing our audit of the financial statements of Borealis Partners, LLC (Company) as of and for the year ended December 31, 2008, 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 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 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 conformity 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.

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, 2008, 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 and 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.

February 26, 2009

*Liccerelli, Sebastiani & Company LLP*