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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**

RECEIVED  
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THOMSON  
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SEC FILE NUMBER  
8- 53698

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 01/01/2003 AND ENDING 12/31/2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Chicago Analytic Trading Company, LLC OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1<sup>st</sup> North Wacker Drive, Suite 4700

(No. and Street)

Chicago Illinois 60606  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Chad R. Erwin (312) 334-1520  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Michael Silver & Company  
(Name - if individual, state last, first, middle name)

8833 Gross Point Road Skokie Illinois 60077  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

MAR 29 2004

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)

BB

OATH OR AFFIRMATION

I, Sharath M. Sury, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Chicago Analytic Trading Company, LLC, as of December 31, 20 03, 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

Chief Executive Officer

Title

[Signature]  
Notary Public

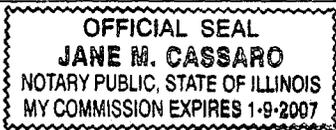
This report \*\* contains (check all applicable boxes):

- (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).

OATH OR AFFIRMATION

I, Chad R. Erwin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Chicago Analytic Trading Company, LLC, as of December 31, 2003, 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:



Jane M. Cassaro  
Notary Public

[Signature]  
Signature  
Asst. VP - Operations  
Title

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

- (a) Facing Page.
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- (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.
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- (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).

**CHICAGO ANALYTIC  
TRADING COMPANY, LLC  
REPORT FOR THE YEARS ENDED  
DECEMBER 31, 2003 AND 2002**

# CHICAGO ANALYTIC TRADING COMPANY, LLC

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# MICHAEL SILVER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EARL E. HOLTZMAN, CPA  
NEIL FRIEDMAN, CPA  
HARVEY FAYER, CPA  
STEVEN LEVINSON, CPA, CVA  
LARRY ISAACSON, CPA  
ELIOT H. ROSENWALD, CPA, CVA  
EUGENE J. SOLAR, CPA  
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ERIC A. LARSON, CPA  
GREGORY D. TEISTER, CPA  
GEORGE F. LUCAS, CPA

Of Counsel  
MARK R. GOLDSTICK, CPA

## INDEPENDENT AUDITORS' REPORT

To the Members  
Chicago Analytic Trading Company, LLC

We have audited the accompanying balance sheets of Chicago Analytic Trading Company, LLC as of December 31, 2003 and 2002, and the related statements of income and members' equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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 Chicago Analytic Trading Company, LLC as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 8 and 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information on page 8 has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it. The additional information on page 9 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.

*Michael Silver & Company*  
Certified Public Accountants

Skokie, Illinois  
February 5, 2004

CHICAGO ANALYTIC TRADING COMPANY, LLC

BALANCE SHEETS  
DECEMBER 31

|                                        | <u>2003</u>       | <u>2002</u>       |
|----------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                          |                   |                   |
| Current Assets                         |                   |                   |
| Cash                                   | \$ 620,914        | \$ 307,669        |
| Commissions receivable                 | 122,996           | 138,744           |
| Prepaid expenses                       | <u>18,235</u>     | <u>6,534</u>      |
| Total current assets                   | <u>762,145</u>    | <u>452,947</u>    |
| TOTAL ASSETS                           | <u>\$ 762,145</u> | <u>\$ 452,947</u> |
| <b>LIABILITIES AND MEMBERS' EQUITY</b> |                   |                   |
| Current Liabilities                    |                   |                   |
| Accounts payable                       | \$ -              | \$ 2,669          |
| Accrued payroll and related taxes      | <u>8,466</u>      | <u>192,840</u>    |
| Total current liabilities              | 8,466             | 195,509           |
| Members' Equity                        | <u>753,679</u>    | <u>257,438</u>    |
| TOTAL LIABILITIES AND MEMBERS' EQUITY  | <u>\$ 762,145</u> | <u>\$ 452,947</u> |

The accompanying notes are an integral part of these financial statements.

**CHICAGO ANALYTIC TRADING COMPANY, LLC**  
**STATEMENTS OF INCOME AND MEMBERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31**

|                                     | <u>2003</u>       | <u>2002</u>       |
|-------------------------------------|-------------------|-------------------|
| Revenue                             | \$ 1,388,987      | \$ 349,034        |
| Operating Expenses                  | <u>816,341</u>    | <u>285,128</u>    |
| Operating Income                    | 572,646           | 63,906            |
| Interest Income                     | <u>123,595</u>    | <u>28,633</u>     |
| Net Income                          | 696,241           | 92,539            |
| Members' Equity - Beginning Of Year | 257,438           | -                 |
| Members' Contributions              | -                 | 164,899           |
| Members' Distributions              | <u>(200,000)</u>  | <u>-</u>          |
| Members' Equity - End Of Year       | <u>\$ 753,679</u> | <u>\$ 257,438</u> |

The accompanying notes are an integral part of these financial statements.

**CHICAGO ANALYTIC TRADING COMPANY, LLC**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31**

|                                                                                   | <u>2003</u>       | <u>2002</u>       |
|-----------------------------------------------------------------------------------|-------------------|-------------------|
| <b>INCREASE (DECREASE) IN CASH</b>                                                |                   |                   |
| <b>Cash Flows From Operating Activities:</b>                                      |                   |                   |
| Net income                                                                        | \$ <u>696,241</u> | \$ <u>92,539</u>  |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |                   |
| Changes in operating assets and liabilities:                                      |                   |                   |
| (Increase) decrease in:                                                           |                   |                   |
| Commissions receivable                                                            | 15,748            | (138,744)         |
| Prepaid expenses                                                                  | (11,701)          | (6,534)           |
| Increase (decrease) in:                                                           |                   |                   |
| Accounts payable                                                                  | (2,669)           | 2,669             |
| Accrued payroll and related taxes                                                 | <u>(184,374)</u>  | <u>192,840</u>    |
| Total adjustments                                                                 | <u>(182,996)</u>  | <u>50,231</u>     |
| Net cash provided by operating activities                                         | <u>513,245</u>    | <u>142,770</u>    |
| <br><b>Cash Flows From Financing Activities:</b>                                  |                   |                   |
| Contributions from members                                                        | -                 | 164,899           |
| Distributions to members                                                          | <u>(200,000)</u>  | <u>-</u>          |
| Net cash provided by (used by) financing activities                               | <u>(200,000)</u>  | <u>164,899</u>    |
| Net Increase In Cash                                                              | 313,245           | 307,669           |
| Cash - Beginning Of Year                                                          | <u>307,669</u>    | <u>-</u>          |
| Cash - End Of Year                                                                | <u>\$ 620,914</u> | <u>\$ 307,669</u> |

The accompanying notes are an integral part of these financial statements.

# CHICAGO ANALYTIC TRADING COMPANY, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2003 AND 2002

### 1 - Nature Of Business

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD). The Company was organized November 1, 2001 pursuant to the *Delaware Limited Liability Company Act*. Under the *Delaware Limited Liability Act* neither a member nor a manager of an L.L.C. is personally liable for a debt, obligation, or liability of the L.L.C. arising in a contract, tort, or otherwise.

The Company claims exemption to Securities and Exchange Commission (SEC) Rule 15c3-3 under subparagraph k(2)(B). The provision of the rule shall not be applicable to a broker or dealer who, as an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers, and maintains and preserves such books and records pertaining thereto pursuant to the requirements of SEC Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

### 2 - Summary Of Significant Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

No provision for taxes on income is required since the members report their proportionate share of taxable income in their respective income tax returns. The Company is subject to certain state income taxes.

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur. The Company clears its securities transactions through another broker-dealer on a fully disclosed basis. The amount shown as accounts receivable consists of commissions receivable from the clearing broker-dealer.

# CHICAGO ANALYTIC TRADING COMPANY, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2003 AND 2002

### 3 - Lease Commitments

The Company leases office space from an entity related through common ownership through August 2012. Rent payments of \$11,667 are due monthly. The Company is also responsible for its pro rata share of the operating expenses and real estate taxes. Rent expense, including operating expenses and real estate taxes, was \$179,896 and \$43,094 for the years ended December 31, 2003 and 2002, respectively.

Future minimum lease payments are as follows:

Years ending December 31,

|            |                     |
|------------|---------------------|
| 2004       | \$ 140,000          |
| 2005       | 140,000             |
| 2006       | 140,000             |
| 2007       | 140,000             |
| 2008       | 140,000             |
| Thereafter | <u>513,333</u>      |
| Total      | <u>\$ 1,213,333</u> |

### 4 - Concentration Of Credit Risk

The Company maintains cash accounts at various financial institutions and has credit risk for balances in excess of federally insured limits.

### 5 - 401(k) Plan

The Company, along with an entity related by common ownership, sponsors a defined contribution 401(k) plan that covers eligible employees, as defined in the plan. Participants may contribute from 1% to 15% of their compensation. The Company makes matching contributions of up to 50% of the first 3% contributed by the participants. Employer contributions to the plan for the years ended December 31, 2003 and 2002 were \$1,482 and \$77, respectively.

### 6 - Related Party Transactions and Economic Risk

The Company acts as an introducing broker to four limited partnerships, whose General Partner is Chicago Analytic Capital Management, LLC, a related entity through common ownership. All commissions earned for the years ended December 31, 2003 and 2002 were generated through the trading activity of the four limited partnerships. If these Partnerships cease to exist, or decline substantially in trading activity, the Company would be severely affected.

**CHICAGO ANALYTIC TRADING COMPANY, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**7 - 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 (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). The Company's SEC net capital requirement is \$5,000. The Company's clearing broker requires the Company to maintain net capital equal to or greater than the amount required by the SEC net capital rules applicable to a correspondent introducing broker or \$150,000. As of December 31, 2003, the Company had net capital of \$735,444, as calculated in accordance with Rule 15c3-1, which was \$585,444 in excess of its required net capital. The Company's net capital ratio was .01 to 1.

## **ADDITIONAL INFORMATION**

CHICAGO ANALYTIC TRADING COMPANY, LLC

SCHEDULES OF OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31

|                                      | <u>2003</u>       | <u>2002</u>       |
|--------------------------------------|-------------------|-------------------|
| Salaries, benefits and payroll taxes | \$ 482,226        | \$ 220,538        |
| Exchange fees                        | 25,971            | 8,712             |
| Advertising                          | -                 | 150               |
| Computer expenses                    | 69,538            | 2,752             |
| Insurance                            | 4,914             | 598               |
| Office expenses                      | 1,585             | 660               |
| Professional fees                    | 44,620            | 2,200             |
| Rent expense                         | 179,896           | 43,094            |
| Licenses                             | <u>7,591</u>      | <u>6,424</u>      |
| Total operating expenses             | <u>\$ 816,341</u> | <u>\$ 285,128</u> |

See disclaimer of opinion in Independent Auditors' Report.

**CHICAGO ANALYTIC TRADING COMPANY, LLC**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2003**

**Net Capital**

|                                                      |               |                          |
|------------------------------------------------------|---------------|--------------------------|
| Total members' equity                                |               | \$ 753,679               |
| Deduct members' equity not allowable for net capital |               | <u>-</u>                 |
| Total members' equity qualified for net capital      |               | <u>753,679</u>           |
| Add:                                                 |               |                          |
| No additional items to add                           |               | <u>-</u>                 |
| Total capital and allowable subordinated borrowings  |               | 753,679                  |
| Deductions and/or charges:                           |               |                          |
| Nonallowable assets:                                 |               |                          |
| Other assets                                         | <u>18,235</u> |                          |
|                                                      | 18,235        | <u>18,235</u>            |
| <b>Net Capital</b>                                   |               | <b><u>\$ 735,444</u></b> |

**Aggregate Indebtedness**

|                                                     |  |                        |
|-----------------------------------------------------|--|------------------------|
| Items included in statement of financial condition: |  |                        |
| Payable to clearing broker                          |  | -                      |
| Other accounts payable and accrued expenses         |  | <u>8,466</u>           |
| <b>Total Aggregate Indebtedness</b>                 |  | <b><u>\$ 8,466</u></b> |

**Computation of Basic Net Capital Requirement**

|                                                                                                         |  |                   |
|---------------------------------------------------------------------------------------------------------|--|-------------------|
| Minimum Net Capital Required in Accordance with NASD Regulations                                        |  | <u>\$ 5,000</u>   |
| Excess Net Capital                                                                                      |  | <u>\$ 730,444</u> |
| Ratio: Aggregate Indebtedness to Net Capital                                                            |  | 0.01 to 1         |
| Reconciliation with company's computation (included in Part II of Form X-17a-5 as of December 31, 2003) |  |                   |
| Net Capital, as reported in Company's Part II (unaudited) FOCUS report                                  |  | <u>\$ 735,444</u> |
| No audit adjustments                                                                                    |  |                   |
| Net Capital per above                                                                                   |  | <u>\$ 735,444</u> |

See Independent Auditors' Report.



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## MICHAEL SILVER & COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS

EARL E. HOLTZMAN, CPA  
NEIL FRIEDMAN, CPA  
HARVEY FAYER, CPA  
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Of Counsel  
MARK R. GOLDSTICK, CPA

### Board of Directors Chicago Analytic Trading Company, LLC

In planning and performing our audit of the financial statements of Chicago Analytic Trading Company, LLC (the Company), for the year ended December 31, 2003, 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 the 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 compliance with 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 the 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 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 U.S. 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

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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.

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 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 were adequate at December 31, 2003 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, NASD, 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.

*Michael Silver + Company*  
Certified Public Accountants

Skokie, Illinois  
February 5, 2004