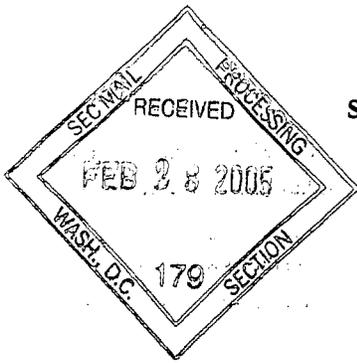


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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER
850755

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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

WHARTON CAPITAL MARKETS, LLC

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

545 MADISON AVENUE

(No. and Street)

NEW YORK, N.Y. 10022

(City)

(State)

(Zip Code)

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

GEORGI A. MICHELE (212) 243-7802

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

GREENE, ARNOLD G., CPA

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

866 UNITED NATIONS PLAZA, NEW YORK, N.Y. 10017

(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 23 2005

THOMSON FINANCIAL

<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)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

TH 3/11

OATH OR AFFIRMATION

I, HOWARD KERKER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WHARTON CAPITAL MARKETS, LLC, as of DECEMBER 31, 2004, 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:

[Empty lines for exceptions]

COURTNEY P. KERKER
Notary Public, State of New York
No. 02KE6089366
Qualified in New York County
Term Expires March 24, 2007

[Handwritten Signature]
Signature

PRESIDENT

Title

[Handwritten 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. (CASH FLOWS)
(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).

**WHARTON CAPITAL MARKETS, LLC**

**R E P O R T**

**FORM X-17A-5**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2004**

**ARNOLD G. GREENE**  
**CERTIFIED PUBLIC ACCOUNTANT**

# WHARTON CAPITAL MARKETS, LLC

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DECEMBER 31, 2004

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**ARNOLD G. GREENE**

CERTIFIED PUBLIC ACCOUNTANT

866 UNITED NATIONS PLAZA

NEW YORK, N.Y. 10017

(212) 751-6910

FAX (212) 751-6911

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and  
Members of

**WHARTON CAPITAL MARKETS, LLC**

I have audited the accompanying statement of financial condition of Wharton Capital Markets, LLC as of December 31, 2004, and the related statements of income and expense, changes in members' capital, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Wharton Capital Markets, LLC as of December 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles, on a basis consistent with that of the preceding year.

Also, I have examined the supplementary schedules on pages 6 and 7 and, in my opinion, they present fairly the information included therein in conformity with the rules of the Securities and Exchange Commission.

February 24, 2005



**WHARTON CAPITAL MARKETS, LLC**  
**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2004**

---

**ASSETS**

**Current assets:**

Cash	\$ 8,435
Investments at market	<u>25,159</u>
<b>Total assets</b>	<b><u>\$ 33,594</u></b>

**LIABILITIES AND MEMBERS' CAPITAL**

**Current liabilities:**

Accrued expenses payable	<u>\$ 8,198</u>
<b>Total liabilities</b>	<b>8,198</b>

**Members' capital:**

Members' capital	<u>\$ 25,396</u>
<b>Total Members' capital</b>	<b><u>25,396</u></b>

Total liabilities and members' capital	<b><u>\$ 33,594</u></b>
----------------------------------------	-------------------------

See notes to financial statements.

# WHARTON CAPITAL MARKETS, LLC

## STATEMENT OF INCOME AND EXPENSE

FOR THE YEAR ENDED DECEMBER 31, 2004

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**Revenues:**

Fee income	\$ 103,676
Investment income	1,534
Interest income	<u>224</u>

**Total revenue** **105,434**

**Expenses:**

Employee compensation	\$ 29,539
Registrations and assessments	1,265
Professional fees	16,959
Administrative services	25,000
Rent	25,000
Consulting fees	6,945
Other expenses	<u>5,621</u>

**Total expenses** **110,329**

Income (loss) before federal income tax (4,895)

Less: Federal income tax -0-

**Net income (loss)** **(\$ 4,895)**

See notes to financial statements.

**WHARTON CAPITAL MARKETS, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

---

**Resources provided:**

Capital contributed	<u>\$ 15,000</u>
<b>Total resources provided</b>	<b>15,000</b>

**Resources applied:**

Net loss	\$ 4,895
Decrease in accrued expenses	15,723
Distributions	40,000
Increase in investments	<u>1,534</u>

**Total resources applied** **62,152**

**Decrease** (47,152)

Cash - January 1, 2004 55,587

Cash - December 31, 2004 **\$ 8,435**

See notes to financial statements.

**WHARTON CAPITAL MARKETS, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

---

Members' capital, January 1, 2004	\$ 55,291
Add: Capital contributed	15,000
Less: Net loss	(4,895)
: Distributions	<u>(40,000)</u>
Members' capital, December 31, 2004	<u>\$ 25,396</u>

**STATEMENT OF CHANGES IN LIABILITIES**  
**SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**

**FOR THE YEAR ENDED DECEMBER 31, 2004**

---

Balance, January 1, 2004	\$ -0-
Increases and (decreases)	<u>-0-</u>
Balance, December 31, 2004	<u>\$ -0-</u>

See notes to financial statements.

# WHARTON CAPITAL MARKETS, LLC

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

---

### 1. ORGANIZATION:

Wharton Capital Markets, LLC (the "Company") was organized as a limited liability company under the laws of the State of New York on February 27, 1997. The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD"). The Company provides investment banking and corporate finance services to domestic and international companies.

The principal business of the Company is to act as placement agent in the private placement of corporate securities in offerings exempt from registration under the Securities Act of 1933, as amended (the "Act"). Placements of such securities are only offered to accredited investors in accordance with the rules and the provisions of Regulation D of the Act. The Company does not have any trading accounts, nor hold cash or securities for or on behalf of any customers or clients.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

*Cash and Cash Equivalents* – The Company defines cash and cash equivalents as cash and short-term highly liquid investments having original maturities of 90 days or less. All cash is on deposit with a major money center bank.

*Use of Estimates* – The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Estimates, by their nature, are based on judgment and available information. Management believes that estimates utilized in preparation of the statement of financial condition are prudent and reasonable. Actual results could differ from those estimates. Estimates that are particularly susceptible to change include assumptions used in determining the fair value of investments.

*Investments* – Investments are carried at fair value and consist of common stock in the NASDAQ Stock Market, Inc.

Notes to financial statements continues-

*Income taxes* – The Company is treated as a partnership for federal and state tax purposes, as each member is individually responsible for reporting income or loss as required by federal and state tax regulations. The Company is subject to New York City Unincorporated Business Tax (UBT) and has assessed its tax provision in accordance with the Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*.

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standard No. 107, *Disclosure About Fair Value of Financial Instruments*, requires the Company to report the fair value of financial instruments, as defined. Substantially all of the Company's assets and liabilities are carried at fair or contracted amounts, which approximate fair value.

### 4. RELATED PARTIES

Certain members of the Company are shareholders of Wharton Capital Corp. ("WCC") and Wharton Capital Partners Ltd. ("WCP"). The Company's results of operations may not necessarily be indicative of those which would have resulted had the Company operated as a stand-alone entity.

### 5. NET CAPITAL REQUIREMENTS

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities and Exchange Act of 1934, 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, 2004 the Company had net capital of \$21,976, which was \$16,976 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was .37 to 1. In January 2005, the Company filed Part IIA of (unaudited) and reported net capital of \$25,673. The difference of \$3,697 is due to various accruals and reclassification is made during the audit.

# WHARTON CAPITAL MARKETS, LLC

## COMPUTATION OF NET CAPITAL

DECEMBER 31, 2004

---

Members' capital		\$ 25,396
Less: non-allowable assets		<u>-0-</u>
Net capital before haircuts		25,396
Less: haircuts on securities: (15% of \$22,440)	3,366	
( 2% of \$ 2,719)	<u>54</u>	<u>( 3,420)</u>
<b>Net capital</b>		<b>21,976</b>
Greater of:		
Minimum dollar net capital required	<u>\$5,000</u>	
or		
Minimum net capital required: (6.67% of aggregate indebtedness \$8,198)	<u>\$ 280</u>	<u>5,000</u>
<b>Excess net capital</b>		<b><u>\$ 16,976</u></b>

### AGGREGATE INDEBTEDNESS

Accounts payable and accrued expenses, etc.	<u>\$ 8,198</u>
Percentage of aggregate indebtedness to net capital	<u>37%</u>

See notes to financial statements.

**WHARTON CAPITAL MARKETS, LLC**  
**RECONCILIATION OF NET CAPITAL WITH FOCUS REPORT**

**DECEMBER 31, 2004**

---

Net Capital per company's unaudited X-17A-5, Part IIA Filing (Focus Report)	\$25,673
Less: Audit Adjustments	<u>( 3,697)</u>
Net capital per audited report, December 31, 2004	<u><b>\$21,976</b></u>

The differences relate primarily to the accrual for professional fees.

See notes to financial statements

**ARNOLD G. GREENE**

**CERTIFIED PUBLIC ACCOUNTANT**

**866 UNITED NATIONS PLAZA**

**NEW YORK, N.Y. 10017**

**(212) 751-6910**

**FAX (212) 751-6911**

**ACCOUNTANT'S REPORT ON INTERNAL ACCOUNTING CONTROL**

To the Board of Directors and Members' of

**WHARTON CAPITAL MARKETS, LLC**

I have examined the financial statements of Wharton Capital Markets, LLC for the year ended December 31, 2004 and have issued my report thereon dated February 24, 2005. As part of the examination, I made a study and evaluation of the system on internal accounting control to the extent I considered necessary to evaluate the system required by the generally accepted auditing standards and Rule 17A-5 of the Securities and Exchange Commission. This study and evaluation included the accounting system, the procedures of safeguarding securities, and the practices and procedures followed by the client (i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17A-3 (a) (11), the broker is exempt from compliance with Rule 15c3-3, and was in compliance with the conditions of the exemption, and no facts came to my attention indicating that such conditions had not been complied with during the year (ii) the broker does not maintain customer accounts nor handle securities, and I have reviewed the broker's practices for safeguarding securities that may be received by the broker for transmittal to a clearing organization. Rule 17A-5 states that the scope of the study and evaluation should be sufficient to provide reasonable assurance that any material weakness existing at the date of my examination would be disclosed. Under generally accepted auditing standards and Rule 17A-5, the purpose of such study and evaluation are to establish a basis for reliance thereon in procedures necessary for expressing an opinion of the internal accounting control.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance concerning the safeguarding of assets against loss from unauthorized use or disposition and concerning the reliability of financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimated and judgments by management. However, for the purposes of this report under Rule 17A-5, the determination of weakness to be reported was made without considering the practicability of corrective action by management within the framework of a cost/benefit relationship.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends on segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates, projection or any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation of the system of internal accounting control for the year ended December 31, 2004 which was made for the purposes set forth in the first paragraph above and would not necessarily disclose all weaknesses in the system that may have existed during the period, disclosed no weaknesses that I believe to be material.

A handwritten signature in black ink that reads "Arnold G. Greene". The signature is written in a cursive style with a large initial "A" and "G".

February 24, 2005