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

OMB APPROVAL
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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 01/01/05 AND ENDING 12/31/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Kabrik Trading LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
11 Broadway, Suite 814

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

New York
(City)

NY
(State)

10004
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
James A. Colin, Jr. (212) 825-4000
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Weiser LLP

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

3000 Marcus Avenue
(Address)

Lake Success
(City)

NY
(State)

11042
(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 30 2006

THOMSON
FINANCIAL

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*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.

OATH OR AFFIRMATION

I, James A. Conlin, 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 Kabrik Trading LLC, as of December 31, 2005, 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:

REBECCA J RODRIGUEZ BURTZ
NOTARY PUBLIC-STATE OF NEW YORK
No. 01RO6135998
Qualified In New York County
My Commission Expires October 31, 2009

[Signature]
Signature
PRESIDENT
Title

Rebecca Rodriguez Burtz
Notary Public

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

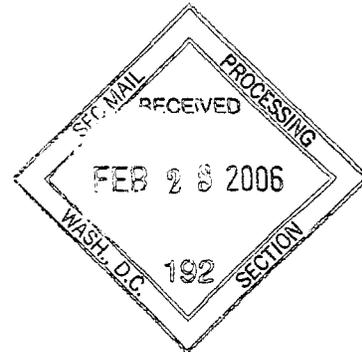
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~Changes in Financial Condition~~ Cash Flows.
- (e) Statement of Changes in ~~Stockholders' Equity or Partners' or Sole Proprietors' Capital~~ Members' Equity.
- (f) Statement of Changes in 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 Auditors' Report on Internal Accounting Control.

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

KABRIK TRADING, LLC

STATEMENT OF FINANCIAL CONDITION

YEAR ENDED DECEMBER 31, 2005



**KABRIK TRADING, LLC
(A LIMITED LIABILITY COMPANY)**

**STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2005**

A S S E T S

Cash and cash equivalents	\$ 394,616
Receivable from brokers and dealers	447,272
Prepaid expenses and other assets	36,113
Deferred tax asset	1,100
Furniture, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$441,646	142,646
Security deposit	<u>28,418</u>
	<u>\$ 1,050,165</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:	
Accrued salaries and profit sharing	\$ 161,802
Accrued expenses and other liabilities	448,205
Capital lease payable	<u>9,250</u>
	619,257
Liabilities subordinated to claims of general creditors	<u>250,000</u>
	869,257
Commitments	
Members' equity	<u>180,908</u>
	<u>\$ 1,050,165</u>

The accompanying notes are an integral part of this financial statement.

**KABRIK TRADING, LLC
(A LIMITED LIABILITY COMPANY)**

NOTES TO FINANCIAL STATEMENT

1. ORGANIZATION:

Kabrik Trading, LLC (the "Company") was organized as a limited liability company under the laws of the State of New York. The Company is a broker-dealer registered with the Securities and Exchange Commission and is a member of the New York Stock Exchange and National Association of Securities Dealers. The Company principally engages in agency-only trade execution transactions through direct access on the New York Stock Exchange floor and NASDAQ execution and program and basket trading utilizing the Company's Trading Desk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash Equivalents:

The Company considers all money market accounts, time deposits and certificates of deposit purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition:

Securities transactions and the related revenue and expenses are recorded on a settlement date basis. The difference between recording securities transactions on a trade date basis and a settlement date basis has been considered and determined to be immaterial.

Income Taxes:

The Company is treated as a partnership for federal income tax purposes. Consequently, the Company is not itself subject to federal and state income taxes. Members are liable for their distributive shares of the Company's income and losses. However, the Company is subject to New York City unincorporated business tax.

Use of Estimates:

The preparation of financial statements 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Furniture, Equipment and Leasehold Improvements:

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation of furniture and equipment is computed using accelerated and straight-line methods over the estimated useful lives of the related assets which range from three to seven years. Leasehold improvements are amortized over the shorter of the lease terms or the estimated useful lives of the improvements.

3. RECEIVABLE FROM BROKERS AND DEALERS:

Receivable from brokers and dealers consists of the following:

Escrow deposits at clearing broker	\$ 151,312
Commissions received held at clearing broker	86,491
Commission receivable	<u>209,469</u>
	<u>\$ 447,272</u>

4. LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS:

The borrowings under subordination agreements at December 31, 2005 are as follows:

Subordinated equity, 10%, due February 28, 2007 to member	\$ 125,000
Subordinated equity, 10%, due February 28, 2007 to member	<u>125,000</u>
	<u>\$ 250,000</u>

The subordinated borrowings are available in computing net capital under the SEC's uniform net capital rule as equity borrowings. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements they may not be repaid.

In addition, the Company must satisfy the debt-equity ratio requirement that the ratio not exceed 70% for a period in excess of 90 days. At December 31, 2005, the Company's debt-equity ratio was 58%.

5. MEMBERS' EQUITY:

At December 31, 2005, the Company had Class A, Class B and Class C units which consist of the following:

	<u>Equity</u>	<u>Number of Units</u>	<u>Profit and Loss</u>
Class A voting	\$ (7,111)	100	50%
Class B nonvoting	(186,981)	100	50
Class C nonvoting	<u>375,000</u>	15	<u>0</u>
	<u>\$ 180,908</u>		<u>100%</u>

6. COMMITMENT AND CONTINGENCIES:

Litigation and Regulatory Matters:

In March of 2004, a former employee of the Company conducted unauthorized transactions. As a result, the Company suffered a one-time loss of \$251,699. The Company filed a claim with its insurance company under its fidelity bond coverage and received a total of \$109,548.

7. LEASES:

Operating:

The Company is obligated under a noncancellable operating lease for its office in New York. The lease expires July 31, 2007 and contains provisions for escalation based on increases in certain costs incurred by the landlord.

A schedule of future minimum annual rental payments due is as follows:

<u>Year Ending December 31,</u>	<u>Agreement Lease Payments</u>
2006	\$ 99,033
2007	<u>58,768</u>
	<u>\$ 157,801</u>

In connection with the sale of the Company's Irvington's operations that lease was transferred to the purchaser on January 26, 2006 (see footnote 13).

Capital leases:

The Company is the lessee of equipment under capital leases expiring 2007. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. The assets are depreciated over their estimated productive lives.

Following is a summary of property held under capital leases at December 31, 2005:

Computer equipment	\$ 24,836
Less: Accumulated depreciation	<u>16,144</u>
	<u>\$ 8,692</u>

Minimum future lease payments under capital leases as of December 31, 2005 for the remaining two years and in the aggregate are:

<u>Year Ended December 31,</u>	<u>Amount</u>
2006	\$ 5,956
2007	<u>5,956</u>
Total Minimum Lease Payments	11,912
Less: Amount representing interest	<u>2,662</u>
Present Value of Net Minimum Lease	<u>\$ 9,250</u>

Interest rate on capitalized leases is 10.0% imputed based on the lessors implicit rate of return.

8. NET CAPITAL REQUIREMENTS:

The Company is subject to the uniform net capital requirements of rule 15c3-1 of the Securities and Exchange Commission, as amended, which requires a broker-dealer to have, at all times, sufficient liquid assets to cover indebtedness. In accordance with the rule, the Company is required to maintain defined minimum net capital of the greater of \$5,000 or 1/15 of aggregate indebtedness.

At December 31, 2005, the Company had net capital, as defined, of \$204,747 which exceeded the required minimum net capital of \$41,284 by \$163,463. Aggregate indebtedness at December 31, 2005 totaled \$619,257. The ratio of aggregate indebtedness to net capital was 3.02 to 1.

9. OFF-BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK:

In the normal course of business, the Company's customer activities involve the execution, settlement and financing of various securities transactions. These activities may expose the Company to off-balance-sheet credit risk in the event the customer or other party is unable to fulfill its contractual obligations.

From time to time, the Company maintains cash at a bank in excess of FDIC insured limits and is exposed to the credit risk resulting from this concentration.

10. SEAT LEASE:

The Company leased four seats on the New York Stock Exchange (NYSE) on December 31, 2005. In connection with the planned merger between NYSE and Archipelago Holdings, Inc., the seat lease will be replaced by trading licenses to be auctioned off by the newly merged company. As a result, the seat leases in effect as of December 31, 2005 were modified to reflect that they will terminate upon the completion of the merger, expected in February 2006.

11. INCOME TAXES:

The Company files a partnership income tax and is therefore not subject to federal and state income taxes. However, the Company is subject to New York City unincorporated business tax.

The Company uses the asset and liability method to calculate deferred tax assets and liabilities. Deferred taxes are recognized based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled.

Deferred income taxes have been provided to account for temporary differences arising primarily from amortization and depreciation, treated differently for financial statement and income tax reporting purposes. Deferred tax asset consists of the following at December 31, 2005:

Depreciation	<u>\$ 1,100</u>
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12. PROFIT-SHARING PLAN:

The Company sponsors a defined contribution 401(k) profit-sharing plan covering substantially all employees with one year of service as defined in the plan agreement. Contributions to the plan by the Company are determined at year end. No contribution was made for the year ended December 31, 2005. Employees qualify for benefits upon reaching the age of 65. Vesting begins at 25% after one year of service, 50% after two years, and 100% after the third year.

The profit-sharing plan provides for an employee election to reduce compensation by a voluntary contribution to a 401(k) account.

13. SUBSEQUENT EVENT

On January 26, 2006, the Company completed a sale of substantially all of its equipment and infrastructure of its Trading Desk in Irvington, New York to Fagenson & Co for \$100,000. In addition, the lease at that location was assumed by Fagenson as of the same date.

The Company's Statement of Financial Condition as of December 31, 2005 is available for examination at the office of the Company and at the Regional Office of the Securities and Exchange Commission.

INDEPENDENT AUDITORS' REPORT

To the Members of
Kabrik Trading, LLC

We have audited the accompanying statement of financial condition of Kabrik Trading, LLC, (the "Company") as of December 31, 2005, that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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 financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement referred to above presents fairly, in all material respects, the financial position of Kabrik Trading, LLC as of December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Wesser LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lake Success, N.Y.
January 19, 2006