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

SEC FILE NUMBER  
8- 65940

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 1/1/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: White Cap Trading LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

55 5th Ave 18th Floor

(No. and Street)

New York

NY

10003

(City)

(State)

(Zip Code)

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

James P Selway III (212) 812-9304

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

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

Fleming, JoAnn

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

275 Water St

New York

NY

10038

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAY 26 2006

THOMSON  
FINANCIAL

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)

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 P Selway III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of White Cap 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature  
Managing Director  
Title

  
Notary Public

JAMES T. MORGAN  
Notary Public State of New York  
#01M05036077 Qualified Nassau Co.  
Certificate Filed in New York Co.  
Commission Expires Nov. 21, 2006

- 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).

WHITE CAP TRADING LLC  
(SEC I.D. No 8-65940)

STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2005  
AND  
INDEPENDENT AUDITORS' REPORT  
AND  
SUPPLEMENTAL REPORT ON INTERNAL CONTROL

\* \* \* \* \*

JoAnn Fleming CPA PC  
275 Water St.  
New York, NY 10038

## INDEPENDENT AUDITORS' REPORT

To the Managing Directors and Members of  
White Cap Trading LLC  
New York, NY

We have audited the accompanying statement of financial condition of White Cap Trading LLC (the "Company") as of December 31, 2005 and the related statement of income, changes in members' interest, 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 White Cap Trading LLC at December 31, 2005, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



JoAnn Fleming C.P.A.  
February 28, 2006

**White Cap Trading LLC**  
**Statement of Financial Conditions**  
**December 31, 2005**

**Assets**

Cash	1,541,250
Deposits with clearing organizations	114,023
Receivables from broker-dealers and clearing organizations	598,455
Furniture and equipment, at cost, less Accumulated depreciation and amortization of \$161,381	106,614
Other assets	<u>99,311</u>
<b>Total Assets</b>	<b><u>2,459,653</u></b>

**Liabilities and Members' Interest**

**Liabilities:**

Capital leases	8,859
Accounts payable, accrued expenses, and other liabilities	<u>249,305</u>
<b>Total Liabilities</b>	<b><u>258,164</u></b>
<b>Members' Capital</b>	<b><u>2,201,489</u></b>
<b>Total Liabilities and Members' Capital</b>	<b><u>2,459,653</u></b>

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

**White Cap Trading LLC**  
**Statement of Income**  
**For the Year Ended December 31, 2005**

**Revenues:**

Commissions	4,944,076
Interest and Dividends	<u>28,157</u>

**Total Income** 4,972,233

**Expenses:**

Employee compensation and benefits	1,242,607
Brokerage, exchange, and clearance fees	1,536,961
Communications and data processing	26,503
Interest	11,603
Occupancy	142,965
Other expenses	<u>499,010</u>

**Total expenses** 3,459,649

**Income before other expenses** 1,512,584

Depreciation and Amortization 61,310

**Net income** 1,451,274

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

**White Cap Trading LLC**  
**Statements of Changes in Members' Interest**  
**For the Year Ended December 31, 2005**

	<u>Amounts</u>
Balance at January 1, 2005	1,114,026
Distributions	( 178,823)
Prior Period Adjustment	( 25,088)
Member Buyout	( 159,900)
Net Income	<u>1,451,274</u>
Balance at December 31, 2005	<u>2,201,489</u>

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

**White Cap Trading LLC**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2005**

**Cash Flows from operating activities:**

Net Income	<u>1,451,274</u>
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	61,310
(Increase) decrease in operating assets:	
Deposits with clearing organizations	( 2,951)
Net receivable from broker-dealers and clearing organizations	(275,765)
Prepaid expenses	( 27,263)
Prior Period Adjustment	( 25,088)
Increase (decrease) in operating liabilities:	
Accounts payable, accrued expenses and other liabilities	<u>4,634</u>
Total adjustments	<u>( 265,123)</u>
<b>Net cash provided by operating activities</b>	<u>1,186,151</u>

**Cash flows from investing activities:**

Purchase of furniture and equipment	( 12,511)
Interest Receivable	<u>100</u>
<b>Net cash used in investing activities</b>	<u>( 12,411)</u>

**Cash flows from financing activities:**

Payment of member distributions	(338,724)
Payments for capital lease obligations	<u>( 52,081)</u>
<b>Net cash used in financing activities:</b>	<u>( 390,805)</u>

Increase in cash	782,935
Cash at beginning of the year	<u>758,315</u>
Cash at end of the year	<u>1,541,250</u>

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

**White Cap Trading LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**1. Organization and Nature of Business**

White Cap Trading LLC (the "Company"), a Delaware limited liability company, is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of Pacific Coast Exchange (PCX) and the National Association of Securities Dealers (NASD).

**2. Significant Accounting Policies**

**Basis of Presentation**

The financial statements include the accounts of the Company. The Company is engaged in a single line of business as a securities broker-dealer. The Company provides service to institutional investors through an agency-only brokerage. The accounting principles of the company conform to accounting principles generally accepted in the United States of America and prevailing industry practice.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Securities Transactions**

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Customers' securities transactions are reported on a trade date basis with related commission income reported on a settlement date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

**Commission and Clearing Expenses**

Commission expenses are recorded on a trade-date basis as securities transactions occur while the related clearing expenses are recorded on a settlement date basis.

**Income Taxes**

The Company is required to file federal, state and local income tax returns. A provision has been made in these financial statements for NYC Unincorporated Business Tax.

**White Cap Trading LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**Property and Equipment**

Property and equipment primarily consist of furniture, and technology hardware and software. Property and Equipment are reported at historical cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method. Equipment is depreciated over the useful lives of the assets.

**3. Receivable From Broker-Dealers, Clearing Organizations and Institutional Investors**

Amounts receivable from broker-dealers, clearing organizations and institutional investors at December 31, 2005, consist of the following:

Receivable at December 31, 2005	\$598,455
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The Company clears certain of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis.

**4. Capital Lease Obligations**

Leases entered into by the Company, which substantially all the benefits and risks of ownership are transferred to the Company are recorded as capital leases and classified as property, plant and equipment and long-term borrowings.

**5. Deposits with Clearing Organizations:**

Deposits with exchange clearing organizations at December 31, 2005 consist of:

Short Term Income Fund – Money Market	\$114,023
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**6. Commitments and Contingencies**

The Company leases office space in New York, NY, under a lease agreement that expires February 29, 2008 with annual increases of 2.5%.

The Company leases office space in Boston, MA, under a twelve-month lease agreement that expires March 31, 2006.

**7. Off Balance Sheet Transactions**

The Company had no off balance sheet transactions outstanding at December 31, 2005.

**8. Concentrations of Credit Risk –** The Company enters into various transactions with broker dealers and other financial institutions. In the event these counterparties do not fulfill their obligations, the Company may be exposed to risk. This risk of default depends on the creditworthiness of the counterparties to these transactions. The Company monitors the creditworthiness of each party with which it conducts business.

**White Cap Trading LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**9. Members' Equity**

The limited liability company operating agreement for White Cap Trading LLC provides for one class of members. Managing directors are also members with varying rights, preferences, privileges and obligations. All members have equal voting rights and authority to manage the operations of the Company. All such actions taken by the members require the majority approval of the members. The Managing Directors have the sole power and authority to carry out such management responsibilities and control the day-to-day management of the Company's operations.

As of December 31, 2005, members' equity balances were \$2,201,489. Members' equity may vary from day to day due to changes in operations, additions, distributions or withdrawals.

On June 30, 2005, one of the managing directors withdrew his ownership from the LLC. The LLC paid \$159,900 for his 10.66% ownership. The transaction was recorded using the bonus method of accounting.

**10. 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. At December 31, 2005, the Company had net capital of \$1,997,663, which was \$1,897,663 in excess of required net capital.

**11. Reserve Requirement**

The Company is exempt from the Reserve Requirement under paragraph (k)(2)(ii) of SEC Rule 15c3-3.

**12. Control Requirement**

The Company is exempt from the Possession or Control Requirements under paragraph (k)(2)(ii) of SEC Rule 15c3-3.

**13. Subordinated Debt**

The Company does not have any subordinated debt at December 31, 2005.

**JoAnn Fleming CPA PC**  
**275 Water St.**  
**New York, NY 10038**

February 28, 2006

White Cap Trading LLC  
55 5<sup>th</sup> Ave  
New York, NY 10003

In planning and performing our audit of the financial statements of White Cap Trading LLC (the "Company") for the year ended December 31, 2005 (on which our report dated February 28, 2006), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an 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 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)(1), in the following:

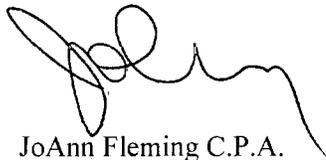
- (1) Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c-3-3(e)
- (2) Making the quarterly securities examinations, counts verifications, and comparisons, and the recordation of differences required 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
- (4) Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3

The management of the Company is responsible for establishing and maintaining an 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the 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. 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, which 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, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the managing directors, members, the SEC, the National Association of Securities Dealers, Inc., 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.

A handwritten signature in black ink, appearing to read 'JoAnn Fleming', with a long horizontal flourish extending to the right.

JoAnn Fleming C.P.A.  
February 28, 2006

**White Cap Trading LLC**  
**Computation of Net Capital Under Rule 15c3-1 of the**  
**Securities and Exchange Commission**  
**As of December 31, 2005**

Net Capital		
Total members' equity		<u>2,201,490</u>
Total members' equity qualified for net capital		2,201,490
Add:		
Item included on the statement of financial condition		
Capital leases		<u>8,859</u>
Total capital and allowable borrowings		<u>2,210,349</u>
Less:		
Non-Allowable Assets		
Furniture and equipment	106,614	
Security Deposit	45,055	
Prepaid Expenses	54,212	
Interest Receivable	44	
Accounts Receivable	<u>4,481</u>	
		<u>210,406</u>
Net Capital before haircuts		1,999,943
Haircuts on Deposit with clearing organization		<u>( 2,280)</u>
Net capital		<u>1,997,663</u>
Aggregate Indebtedness		
Accounts payable, accrued expense and		
Other liabilities	<u>249,304</u>	
Total indebtedness		<u>249,304</u>
Computation of basic net capital requirement		
Minimum net capital requirement		<u>100,000</u>
Excess net capital at 1,500 percent		<u>1,897,663</u>
Ratio: Aggregate indebtedness to net capital		<u>.125 to 1</u>

**White Cap Trading LLC**  
**Computation of Net Capital Under Rule 15c3-1 of the**  
**Securities and Exchange Commission**  
**As of December 31, 2005**

**Reconciliation with company's computation**

(Included in Part II of Form X-17A-5 as of December 31, 2005)

Net capital, as reported in Company's Part II (Unaudited) FOCUS report	2,053,032
Difference due capital leases	40
Adjustments for Non Allowable Assets	( 460)
Adjustment for Security Deposit	( 45,055)
Adjustment for Interest Receivable	( 44)
Adjustment for Commission Receivable	( 4,481)
Audit Adjustment for Haircuts	2,887
Difference in members' equity due to audited financial statements	( 8,256)
Net Capital per previous page	<u>1,997,663</u>