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

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: XT CAPITAL PARTNERS

XT Capital Partners, LLC

OFFICIAL USE ONLY FIRM ID. NO.

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

117 East 55th Street

(No. and Street)

New York

New York

10022

(City)

(State)

(Zip Code)

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

Lynne Minard

(212) 331-7866

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rothstein, Kass & Company, P.C.

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

4 Becker Farm Road

Roseland

New Jersey

(Address)

(City)

(State)

07068

(Zip Code)

CHECK ONE:

- Public Accountant options: Certified Public Accountant, Public Accountant, Accountant not resident in United States or any of its possessions

PROCESSED JUN 06 2006 THOMSON FINANCIAL

SEC. MAIL MAR 01 2006 WASH. DC

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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)

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OATH OR AFFIRMATION

I, Lynne Minard, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of XT Capital Partners, 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:

Lynne Minard
Signature
Managing Partner
Title

Alegis
Notary Public

ANNE M. LEGIO
NOTARY PUBLIC, STATE OF NEW YORK
No. 01LE6127350
QUALIFIED IN WESTCHESTER COUNTY
MY COMMISSION EXPIRES MAY 23, 2009

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 Proprietor's 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 15c3-1 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 auditor's report on internal accounting control.
- (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

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

XT CAPITAL PARTNERS, LLC
STATEMENT OF FINANCIAL CONDITION
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2005

XT CAPITAL PARTNERS, LLC

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Certified
Public
Accountants

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Rothstein Kass

INDEPENDENT AUDITORS' REPORT

To the Members
XT Capital Partners, LLC

We have audited the accompanying statement of financial condition of XT Capital Partners, LLC (the "Company") as of December 31, 2005. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition 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 statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of XT Capital Partners, LLC as of December 31, 2005, 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 statement of financial condition taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the statement of financial condition, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934 and Regulation 1.10 under the Commodity Exchange Act. Such information has been subjected to the auditing procedures applied in the audit of the statement of financial condition and, in our opinion, is fairly stated, in all material respects, in relation to the statement of financial condition taken as a whole.

Rothstein, Kass & Company, P.C.

Roseland, New Jersey
February 8, 2006

XT CAPITAL PARTNERS, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 2005

ASSETS

Cash	\$	336,940
Equipment, net		12,634
Fee receivable		781,679
Other assets		<u>36,504</u>
	\$	<u>1,167,757</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities

Accrued expenses	\$	148,290
Deferred tax liability		<u>31,000</u>
		<u>179,290</u>

Members' equity

		<u>988,467</u>
	\$	<u>1,167,757</u>

See accompanying notes to financial statements.

XT CAPITAL PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

1. Nature of operations

XT Capital Partners, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company markets and distributes specialized investment management strategies for institutional investors.

The Company is an introducing broker registered with the Commodities Futures Trading Commission (CFTC).

2. Summary of significant accounting policies

Equipment

Equipment is stated at cost less accumulated depreciation. The Company provides for depreciation on the straight-line method as follows:

Assets	Estimated Useful Life
Computer equipment	3 Years
Furniture	7 Years

Revenue Recognition

The Company recognizes advisory revenues in accordance with the provisions of the respective agreements.

Income Taxes

No provision for income taxes has been recorded because the Company is a limited liability company. Accordingly, the individual members report their share of the Company's income or loss on their income tax returns. The Company is subject to the New York City Unincorporated Business Tax ("UBT").

The Company complies with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax asset and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

The deferred city income tax liability is the result of differences between the accrual method of accounting for financial reporting and the cash basis for income tax reporting. The deferred portion of city income tax expense included in the statement of operations was \$31,000 at December 31, 2005.

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 amounts 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.

XT CAPITAL PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

3. Equipment

Details of equipment at December 31, 2005 are as follows:

Computer equipment	\$	27,686
Furniture		<u>3,608</u>
		31,294
Less accumulated depreciation		<u>18,660</u>
	\$	<u>12,634</u>

4. Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemption provision of such paragraph (k)(2)(i) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

5. Concentrations

The Company maintains all of its cash in a financial institution, which at times, may exceed federally insured limits. The Company has not experienced any loss in this account and believes it is not subject to any significant credit risk.

During 2005, the Company provided services to one major customer, resulting in approximately 75% of the Company's total revenues. Fees receivable relating to the customer at December 31, 2005 were \$781,679.

6. Commitments

The Company leases office space under a lease which expires December 2006. The lease requires the Company to pay real estate tax escalations and other costs associated with the office space. The Company has the option to renew the lease for no less than six months from the expiration of the lease. Aggregate future minimum annual rental payments in the year subsequent to December 31, 2005 are \$90,000.

Rent expense for the year ended December 31, 2005 was approximately \$90,000.

7. Retirement plan

The Company maintains a Qualified Retirement Plan for its members. Company contributions are made at the discretion of the members and are subject to limitations provided by the Internal Revenue Code. The profit sharing plan for the year ended December 31, 2005 was \$128,000, which is included in accrued expenses in the statement of financial condition.

XT CAPITAL PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

8. Net capital requirement

The Company, as a member of the NASD, is subject to the SEC Uniform Net Capital Rule 15c3-1. This rule 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 that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. The Company is also subject to the Commodity Futures Trading Commission's minimum financial requirements which require that the Company maintain net capital, as defined, equal to the greater of its requirements under Regulation 1.17 under the Commodity Exchange Act or Rule 15c3-1. At December 31, 2005, the Company's net capital was approximately \$189,000, which was approximately \$179,000 in excess of its minimum requirement of \$9,891 under SEC Rule 15c3-1 and approximately \$159,000 in excess of its minimum requirement of \$30,000, under Regulation 1.17 of the Commodity Exchange Act.

XT CAPITAL PARTNERS, LLC

SUPPLEMENTARY INFORMATION

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION AND REGULATION 1.17 OF THE COMMODITY FUTURES TRADING COMMISSION

December 31, 2005

Total members' equity		\$ 988,467
Add		
Deferred state income taxes related to nonallowable assets		<u>31,000</u>
Less nonallowable asset		
Equipment, net		12,634
Fee receivable		781,679
Other assets		<u>36,504</u>
		<u>830,817</u>
Net capital		\$ 188,650
Aggregate indebtedness		\$ 148,290
Computed minimum net capital required (6.67% of aggregate indebtedness)		\$ 9,891
Minimum net capital requirement (under SEC Rule 15c3-1)		\$ 5,000
Minimum net capital requirement (under CFTC Regulation 1.17)		\$ 30,000
Excess net capital (under SEC Rule 15c3-1) (\$188,650 - \$9,891)		\$ 178,759
Excess net capital (under CFTC Regulation 1.17) (\$188,650 - \$30,000)		\$ 158,650
Percentage of aggregate indebtedness to net capital		
	\$ 148,290	
	\$ 188,650	
		<u>78.6%</u>

XT CAPITAL PARTNERS, LLC

SUPPLEMENTRY INFORMATION

RECONCILIATION OF COMPUTATION OF NET CAPITAL UNDER RULE 17a-5(d)(4) OF THE SECURITIES AND EXCHANGE COMMISSION AND REGULATION 1.10 OF THE COMMODITY FUTURES TRADING COMMISSION

December 31, 2005

Net capital , as reported in Company's Part II-A Focus Report (<i>unaudited</i>)	\$ 165,873
Add	
Audit adjustment to increase equity due to fee receivable	102,208
Increase in net capital due to net audit adjustments	35,149
Less	
Audit adjustment to increase nonallowable assets, fee receivable	(102,208)
Increase in nonallowable assets net of offsetting deferred tax liability	<u>(12,372)</u>
Net capital , as adjusted	<u>\$ 188,650</u>