



06007554

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

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

AD 4/1/06

OMB APPROVAL
OMB Number: 3235-0123 Expires: January 31, 2007 Estimated average burden Hours per response... 12.00

SEC FILE NUMBER
8-66525

KJ  
4/16

REPORT FOR THE PERIOD BEGINNING January 1, 2005 AND ENDING December 31, 2005  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

VTRADER PRO, LLC

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

220 Bush Street, Suite 650

OFFICIAL USE ONLY
FIRM ID NO. _____

San Francisco (City) (No. and Street) CA (State) 94104 (Zip Code)

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

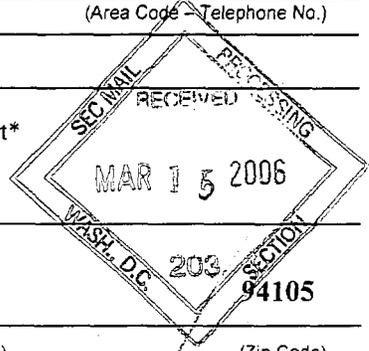
Herbert C. Kurlan (415) 293-3897  
(Area Code Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Harb, Levy & Weiland LLP

The Landmark @ One Market, 6<sup>th</sup> Floor (Address) San Francisco (City) CA (State) 94105 (Zip Code)



CHECK ONE:

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

PROCESSED  
JUN 12 2006

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).

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 this form displays a currently valid OMB control number.

6/9/06

## OATH OR AFFIRMATION

I, Herbert C. Kurlan, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedules pertain to the firm of VTRADER PRO, 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:

\_\_\_\_\_

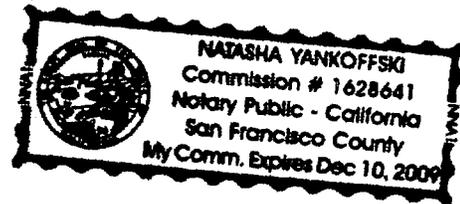
\_\_\_\_\_

Herbert Kurlan  
Signature

President  
Title

Subscribed and sworn to before me  
this 14<sup>th</sup> day of March 2006

Natasha Yankoffski  
Notary Public



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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' Equity or Members' Equity 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 control required by SEC Rule 17a-5.
- (p) Independent auditor's report on internal control required by SEC Rule 17a-5 for a Broker-Dealer claiming exemption from SEC Rule 15c3-3.

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

VTRADER PRO, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2005

---



*INDEPENDENT AUDITORS' REPORT*

To the Members  
VTRADER PRO, LLC

We have audited the accompanying statement of financial condition of VTRADER PRO, LLC as of December 31, 2005. 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 statement of financial condition is 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 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 VTRADER PRO, LLC as of December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

*Harb, Levy + Weiland LLP*

*San Francisco, California  
March 13, 2006*

Member of NEXIA International, A Worldwide Association of Independent Accounting Firms

The Landmark @ One Market, Sixth Floor, San Francisco, CA 94105 Tel: 415 974 6000 Fax: 415 974 5488  
e-mail: hlw@hlwcpa.com www.hlwcpa.com

**VTRADER PRO, LLC**  
**Statement of Financial Condition**  
**December 31, 2005**

<b>Assets</b>	
Cash	\$ 11,667
Receivables from brokers	15,577,402
Securities owned, pledged, at fair value	29,297,902
Receivables from affiliates	233,219
Other assets	6,002
<b>Total assets</b>	<u>\$ 45,126,192</u>
 <b>Liabilities and Members' Equity</b>	
Securities sold short, at fair value	\$ 34,148,598
Unrealized loss on futures, net	101,999
Accounts payable and accrued liabilities	172,000
<b>Total liabilities</b>	<u>34,422,597</u>
Members' equity	<u>10,703,595</u>
<b>Total liabilities and members' equity</b>	<u>\$ 45,126,192</u>

*See Accompanying Notes to Statement of Financial Condition*

**1. *Nature of Operations and Summary of Significant Accounting Policies***

*Nature of Operations:* VTRADER PRO, LLC (the Company) is a market maker and a broker-dealer registered under the Securities Exchange Act of 1934. The Company is a California limited liability company formed on April 28, 2004. The operating agreement provides, among other things, that the Company shall dissolve no later than December 31, 2020.

*Securities and derivative financial instruments:* Securities and derivative financial instrument transactions are recorded on a trade-date basis. Marketable securities and derivative financial instruments are valued at market value, based on quoted market prices, and securities not readily marketable are valued at estimated fair value as determined by management.

Receivable and payable amounts for securities transactions that have not reached their contractual settlement date are recorded net in the statement of financial condition as receivables from brokers. Cash held as collateral against open futures contracts is included in receivables from brokers on the statement of financial condition.

*Fair value of financial instruments:* Substantially all of the Company's assets and liabilities are considered financial instruments and are reported in the statement of financial condition at market or fair value, or at carrying amounts that approximate fair value because of the short maturity of the instruments.

*Income taxes:* The Company is taxed as a partnership under the provisions of the Internal Revenue Code and, accordingly, is not subject to corporate income taxes. Instead, members are liable for income taxes on their respective share of income.

*Use of estimates:* The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America that require that management make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates.

**2. *Cash***

Cash consists of demand deposits with a commercial bank which at times may exceed the limits of insurance coverage. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

**3. Securities Owned and Sold Short**

Securities owned and sold short consist of trading securities reported at fair values, as follows:

	Securities Owned	Securities Sold Short
Equities	\$ 17,889,949	\$ 26,235,726
Equity options	11,357,953	7,912,872
Preferred stock, non-marketable	50,000	-
Total	\$ 29,297,902	\$ 34,148,598

**4. Members' Equity**

The Company's operating agreement provides that the managing member has sole power and authority to carry out management responsibilities and control the day-to-day management of the Company's operations, including distributions and admittance of new members. The entrepreneurial members have no voting rights and do not participate in management of the Company.

Entrepreneurial members are traders that have control over their trading accounts in accordance with their agreements. These members have individual accounts and are responsible for the profits and losses of their respective trading accounts. The managing member may restrict, halt or terminate an entrepreneurial member's trading activities at any time or for any reason.

**5. Financial Instruments with Off-Balance-Sheet Risk**

In connection with its proprietary market making and trading activities, the Company enters into transactions in a variety of securities and derivative financial instruments, primarily exchange-traded equity options, futures contracts, and options on futures contracts. Options held provide the Company with the opportunity to deliver or take delivery of specified financial instruments at a contractual price. Options written obligate the Company to deliver or take delivery of specified financial instruments at a contractual price in the event the option is exercised by the holder. Futures contracts provide for the delayed delivery or purchase of financial instruments at a specified future date at a specified price or yield. These derivative financial instruments may have market risk and/or credit risk in excess of the amounts recorded in the statement of financial condition.

**5. *Financial Instruments with Off-Balance-Sheet Risk (continued)***

*Market risk:* Derivative financial instruments involve varying degrees of off-balance-sheet market risk. Changes in the market values of the underlying financial instruments may result in changes in the value of the derivative financial instruments in excess of the amounts reflected in the statement of financial condition.

Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of derivative financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Company's overall exposure to market risk. The Company attempts to manage its exposure to market risk arising from the use of these derivative financial instruments through various analytical monitoring techniques.

In addition, the Company has sold securities it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the statement of financial condition at December 31, 2005 at market values of the related securities and will incur a loss if the market value of the securities increases subsequent to December 31, 2005.

*Credit risk:* Credit risk arises from the potential inability of counterparties to perform in accordance with the terms of the contract. The Company's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Company has a gain. Exchange-traded derivative financial instruments, such as options, futures, and options on futures, generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements or the margin requirements of the individual exchanges and clearing brokers.

*Concentration of credit risk:* The Company clears majority of its trades through one clearing broker. In the event this entity does not fulfill its obligations, the Company may be exposed to risk. This risk of default depends on the creditworthiness of this entity. The Company attempts to minimize this credit risk by monitoring the creditworthiness of this entity.

**6. *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. At December 31, 2005, the Company had net capital of \$3,561,592, which was \$3,461,592 in excess of its required net capital of \$100,000. The Partnership's aggregate indebtedness to net capital ratio was 0.0483 to 1

**7. *Commitment***

The Company leases its office under an operating lease that expires in May 2006. Future minimum lease payments under this lease are \$21,825.

**8. *Related Party Transactions***

Receivables from affiliates consists of advances to traders affiliated with the managing member totaling \$233,219 as of December 31, 2005.

During 2005, the Company paid professional and consulting fees to traders and employees affiliated with the managing member. As of December 31, 2005, accounts payable and accrued liabilities in the accompanying statement of financial condition includes \$150,000 owed to traders and employees affiliated with the managing member for such services.