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

SEC FILE NUMBER
B-66 436

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: Murphy + Associates Capital, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

32129 Lindero Canyon Rd., Suite 204
(No. and Street)

Westlake Village
(City)

CA
(State)

91361
(Zip Code)

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

Thomas Murphy

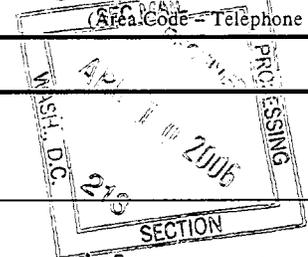
(818) 707-8322
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Holtzhouse Carlin + Van Trigt, LLP
(Name - if individual, state last, first, middle name)

4550 E. Thasand Oaks Blvd., #100 Westlake Village, CA 91361
(Address) (City) (State) (Zip Code)



PROCESSED

AUG 30 2006

THOMSON
FINANCIAL

CHECK ONE:

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

FOR OFFICIAL USE ONLY

Empty box 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.

BB
Handwritten initials/signature

March 21, 2006

Thomas J. Murphy, Managing Director
Murphy and Associates Capital, LLC
32129 Lindero Canyon Road, Suite 204
Westlake Village, CA 91361



Dear Mr. Murphy:

This acknowledges receipt of your December 31, 2005 annual filing of audited financial statements made pursuant to U.S. Securities and Exchange Commission (SEC) Rule 17a-5(d) (the Rule). The report as submitted appears to be deficient in that:

The Audit (page 12) makes reference to possession and control requirements, and indicates the firm operates under the (k)(2)(ii) exemption of the Customer Protection Rule. However, the 12/31/2005 FOCUS filing (page 7) indicates the firm operates under the (k)(2)(i) exemption of the Customer Protection Rule. Please submit a statement identifying the actual exemption the firm operates under, as well as file the requisite amendment.

Eased on the above, your filing does not comply with the requirement of the Rule. The text of the Rule is reproduced in the NASD Manual under the section titled SEC Rules & Regulation T. We urge you to review the Rule with your independent accountant.

Pursuant to the provisions of the NASD Rule 8210, we request that you send one copy of the item listed above to this office and to the appropriate SEC regional or district office, and two copies to the SEC Washington, D.C. office. Your submissions must include a new completed Form X-17A-5 Part III Facing Page, a copy of which is enclosed for your convenience.

Please respond to this matter by April 4, 2006. If you have questions, please contact Matthew Dunn, Compliance Examiner, at (213) 613-2639.

Sincerely,

A handwritten signature in black ink, appearing to read 'David Anderson', written over a horizontal line.

David Anderson
Supervisor

Los Angeles District Office
300 South Grand Avenue
Suite 1600
Los Angeles, CA
90071-3126

tel 213 229 2300
fax 213 617 3299
www.nasd.com

MURPHY & ASSOCIATES CAPITAL, LLC
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2005

The provisions of this rule shall not be applicable to the Company, pursuant to Rule 15c3-3 (k) (2) (i), who, as a broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

See auditors' report and notes to financial statements.

MURPHY & ASSOCIATES CAPITAL, LLC
INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2005

The provisions of this rule shall not be applicable to the Company, pursuant to Rule 15c3-3 (k) (2) (i), who, as a broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

See auditors' report and notes to financial statements.