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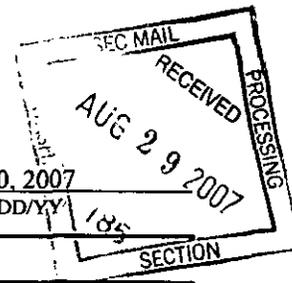
OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response...	12.00

SEC FILE NUMBER
8-44414

**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 July 1, 2006 AND ENDING June 30, 2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: GATES Capital Corporation		
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)		
100 Park Avenue - 22 nd Floor		
New York	(No. and Street) New York	10017
(City)	(State)	(Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

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

Young Whi Kim (212) 661-8686
(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	Lake Success	NY	11042-1066
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

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

PROCESSED
NOV 05 2007

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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)

11/2

OATH OR AFFIRMATION

I Young Whi Kim, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GATES Capital Corporation, as of June 30, 2007, 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:

JARED M. KURTZER
Notary Public, State of New York
No. 01KU6094699
Qualified in Nassau County
Commission Expires June 23, 2011

[Handwritten Signature]
[Handwritten Signature] 2/28/07
Notary Public

[Handwritten Signature]

Signature
[Handwritten Title]

Title

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 15c3-1 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).

**GATES
CAPITAL
CORPORATION**

*Government
& Tax Exempt
Securities*



STATEMENT OF FINANCIAL CONDITION

JUNE 30, 2007

Gates Capital Corporation
Statement of Financial Condition
June 30, 2007

Assets

Cash	\$ 39,454
Deposit with clearing organization	100,000
Receivable from broker-dealer and clearing organization	1,195,998
Remarketing fees receivable	70,864
Securities owned, at market value	680,964
Interest receivable	22,023
Notes receivable	70,000
Prepaid and refundable income taxes	59,700
Deferred tax asset	87,200
Fixed assets, net	27,650
Other assets	154,850

Total assets	\$ 2,508,703
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Liabilities and Stockholders' Equity

Liabilities

Securities sold, not yet purchased, at market value	\$ 45,407
Accrued expenses and other liabilities	630,901
Deferred remarketing fees	100,619
Total liabilities	776,927

Stockholders' equity

Common stock, \$1 par value; 10,000 shares authorized, 5,000 shares issued and outstanding	5,000
Additional paid-in capital	1,251,082
Retained earnings	826,819
	<u>2,082,901</u>

Less: Stock subscriptions receivable	(73,207)
Treasury stock at cost, 615 shares	(277,918)
Total stockholders' equity	1,731,776

Total liabilities and stockholders' equity	\$ 2,508,703
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The accompanying notes are an integral part of this financial statement.

GATES Capital Corporation

Notes to Financial Statement

Year Ended June 30, 2007

1. Nature of Operations

GATES Capital Corporation (the "Company") was incorporated on November 18, 1991, under the laws of New York State. The Company is a registered broker and dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation. The Company specializes in buying, selling, underwriting and remarketing municipal securities.

2. Summary of Significant Accounting Policies

Securities Owned and Securities Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased are carried at market value.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using accelerated methods over the estimated useful lives of the assets, which range from 5 to 7 years.

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. Actual results could differ from those estimates.

Cash Equivalents

From time to time, the Company has highly liquid investments, with original maturities of three months or less when purchased, which are deemed to be cash equivalents.

Income Taxes

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.

3. Securities Owned and Securities Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased consist of trading and investment securities at market value, as follows:

	<u>Owned</u>	<u>Sold, Not Yet Purchased</u>
State and municipal obligations	\$ 247,817	\$ 45,407
Quasi-government agencies	71,706	-
Commercial paper	249,887	-
Non-convertible debt securities	2,932	-
Certificates of deposit	108,622	-
	<u>\$ 680,964</u>	<u>\$ 45,407</u>

GATES Capital Corporation

Notes to Financial Statement

Year Ended June 30, 2007

4. Notes Receivable

As of June 30, 2007, notes receivable consist of two loans to an officer/stockholder as follows:

<u>Principal</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 10,000	10.75%	June 30, 2008
<u>60,000</u>	0%	June 30, 2008
<u>\$ 70,000</u>		

These borrowings are evidenced by promissory notes. Interest is payable annually in arrears. In the event the borrower resigns or is terminated, the unpaid principal balance and interest become due immediately. The notes are secured by the officer/stockholder's investment in the Company. The interest bearing note bears interest at an annual rate of prime plus 2.5%.

5. Fixed Assets, Net

A summary of fixed assets, is as follows:

	<u>Amount</u>
Office and computer equipment	\$ 383,918
Furniture and fixtures	<u>23,879</u>
	407,797
Accumulated depreciation	<u>(380,147)</u>
	<u>\$ 27,650</u>

6. Stock Subscriptions Receivable

As of June 30, 2007 stock subscriptions receivable consist of notes issued by two employees/stockholders for the purchase of the Company's stock from treasury. Payments of principal are to be made periodically in the amount of 25% of any cash bonus, dividend or remuneration other than salary or reimbursement of expenses. The remaining balance, if any, is due at various dates through June 30, 2012. Interest on these notes is at prime plus 2.5% which was 10.75% per annum at June 30, 2007, and is payable annually in arrears. In the event that a subscriber resigns, is terminated from employment or ceases to be a stockholder of the Company, the unpaid principal balance and interest become due immediately.

GATES Capital Corporation

Notes to Financial Statement

Year Ended June 30, 2007

7. Clearance Agreement

The Company has an agreement with a clearing broker to execute and clear, on a fully disclosed basis, customer and proprietary accounts of the Company. The Company is required to maintain a deposit of \$100,000 with the clearing broker. As part of the agreement, the clearing broker executes all orders, settles contracts and transactions in securities, and engages in all cashiering functions, including the receipt, delivery, and transfer of securities purchased, sold, borrowed or loaned and the receipt and distribution of interest and principal payments. The Company has agreed to pay the clearing broker for its services pursuant to a fee arrangement based generally on a flat rate per trade, subject to certain minimum fee levels.

In addition to clearing services, the clearing broker provides the financing for the Company's securities inventory, within specified limits, at interest rates equal to the broker's loan rate (8.75% per annum at June 30, 2007). At June 30, 2007, the Company had a balance of \$1,195,998 due from the clearing broker.

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 current indebtedness. In accordance with the rule, the Company is required to maintain defined minimum net capital of the greater of \$100,000 or 1/15 of aggregate indebtedness. At no time may the ratio of aggregate indebtedness to net capital exceed 15 to 1.

At June 30, 2007, the Company had net capital, as defined, of \$1,237,160, which exceeded the required minimum net capital of \$100,000 by \$1,137,160. Aggregate indebtedness at June 30, 2007 totaled \$731,520. The ratio of aggregate indebtedness to net capital was 0.59 to 1.

9. Leases

The Company was obligated under a noncancellable operating lease for its office space located in Manhattan, which provided for payments of specific amounts subject to escalation based on certain operating costs. The Company in turn sublet a portion of this office space under a sublease agreement. This lease and sublease agreement expired on September 29, 2006

On July 19, 2006, the Company entered into a one year lease, which commenced on October 1, 2006, for its office space in Manhattan.

Future minimum rental payments under this lease, which terminates on September 30, 2007, are \$53,163.

In addition, the Company is obligated under a noncancellable operating lease for office space in New Jersey which provides for payments of specific amounts subject to escalation based on certain operating costs.

GATES Capital Corporation

Notes to Financial Statement

Year Ended June 30, 2007

Future minimum payments under this lease, which expires on March 31, 2009 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2008	\$ 13,278
2009	<u>9,959</u>
	<u>\$ 23,237</u>

10. Leased Employees

The Company entered into an agreement with ADP TotalSource to outsource its human resource function. As a result, ADP TotalSource provides employee and employee benefits to the Company through a leased employee arrangement, whereby the former employees of the Company became employees of ADP TotalSource and are leased back to the Company for a fee. Expenses associated with this arrangement are recorded in the Statement of Operations as Leased employees compensation and benefits.

11. Income Taxes

For the year ended June, 30 2007, the Company has a net operating loss of approximately \$218,000, of which \$23,000 will be carried back and offset against prior years' taxable income. The remaining \$195,000 net operating loss is available to offset future taxable income. This net operating loss carryforward expires on June 30, 2027.

A deferred tax asset has been established to account for the future benefit expected to arise as a result of a net operating loss carryforward. A deferred tax liability has been established to account for temporary differences arising from the excess of depreciation for tax purposes over the amount for financial reporting purposes.

The net deferred tax asset at June 30, 2007 is as follows:

Deferred tax asset	\$ (88,100)
Deferred tax liability	<u>900</u>
Net deferred tax asset	<u>\$ (87,200)</u>

GATES Capital Corporation

Notes to Financial Statement

Year Ended June 30, 2007

12. Off-Balance-Sheet Risk and Concentration of Credit Risk

Transactions with the clearing broker may expose the Company to off-balance-sheet risk in the event that the clearing broker is unable to fulfill its obligations. The Company does not maintain margin accounts for its customers, and, therefore, there were no excess margin securities. However, the Company may be liable for chargebacks on introduced customer accounts carried by the clearing broker.

The Company, as part of its normal trading activities, assumes short positions in its inventory. The establishment of short positions exposes the Company to off-balance-sheet risk in the event prices increase, as the Company may be obligated to acquire the securities at prevailing market prices.

The Company's trading activities also includes the purchase and sale of futures contracts. These transactions are recorded on a net-equity basis in the trading accounts carried by other brokers and dealers. At June 30, 2007, the total of open contractual commitments, at contracted amounts, was \$-0-.

The Company has cash at a bank in excess of FDIC-insured limits and is exposed to the credit risk resulting from this concentration of cash.

GATES Capital Corporation
Notes to Financial Statement
Year Ended June 30, 2007

The Company's Statement of Financial Condition as of June 30, 2007 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 Board of Directors
GATES Capital Corporation

We have audited the accompanying statement of financial condition of GATES Capital Corporation as of June 30, 2007, 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 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 statement referred to above presents fairly, in all material respects, the financial position of GATES Capital Corporation as of June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

Weiss LLP

Lake Success, N.Y.
August 27, 2007

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