



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

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

SEC FILE NUMBER  
8 - 48384

**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 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Hardscrabble Trading LLC

OFFICIAL USE ONLY  
FIRM ID. NO.

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

7 Hardscrabble Close P.O. Box 1180

East Hampton New York 11937-0492  
(City) (State) (Zip Code)

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

David Gruber (631) 329-9230  
(Area Code -- Telephone No.)

SEC Mail Processing  
Section

**B. ACCOUNTANT IDENTIFICATION**

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

FEB 29 2008

Rothstein, Kass & Company, P.C.

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

4 Becker Farm Road Roseland New Jersey 07068  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED  
MAR 20 2008  
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.

3/19

OATH OR AFFIRMATION

I, David Gruber, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hardscrabble Trading LLC, as of December 31, 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:

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

State of New York  
County of New York  
Sworn to before me this

28th day of FEBRUARY 2008

Jack L. Rosmarin  
Notary Public

[Signature]  
Signature

PRES. OF THE MANAGER  
Title

JACK L. ROSMARIN  
Notary Public, State of New York  
No. 01RO4751919  
Qualified in New York County  
Commission Expires May 31, 2011

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).

**HARDSCRABBLE TRADING LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2007**

SEC Mail Processing  
Section

FEB 29 2008

Washington, DC  
111

# HARDSCRABBLE TRADING LLC

## CONTENTS

---

<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Condition	2
Condensed Schedule of Investments	3-4
Notes to Financial Statements	5-6

Certified  
Public  
Accountants

Rothstein, Kass & Company, P.C.  
4 Becker Farm Road  
Roseland, NJ 07068  
tel 973.994.6666  
fax 973.994.0337  
www.rkco.com

Beverly Hills  
Dallas  
Denver  
Grand Cayman  
New York  
Roseland  
San Francisco  
Walnut Creek

# Rothstein Kass

## INDEPENDENT AUDITORS' REPORT

To the Members of Hardscrabble Trading LLC

We have audited the accompanying statement of financial condition of Hardscrabble Trading LLC (the "Company"), including the condensed schedule of investments, as of December 31, 2007. 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 provides a reasonable basis for our opinion.

As discussed in Note 6 to the financial statements, the Company is a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and is also considered to be an investment company under accounting principles generally accepted in the United States of America. As such, the Company is subject to certain disclosure requirements that would otherwise not be required of a broker-dealer. The Company's management has elected to omit the disclosure of the cost of securities owned and the proceeds of securities sold short, as are currently required for investment companies under accounting principles generally accepted in the United States of America.

In our opinion, except for the matters discussed in the preceding paragraph, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Hardscrabble Trading LLC as of December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

*Rothstein, Kass & Company, P.C.*

Roseland, New Jersey  
February 26, 2008

# HARDSCRABBLE TRADING LLC

## STATEMENT OF FINANCIAL CONDITION

---

December 31, 2007

---

### ASSETS

Securities owned, at market	\$	15,548,797
Due from clearing broker		23,020,245
Cash		1,065
Other assets		<u>23,482</u>
	\$	<u>38,593,589</u>

### LIABILITIES AND MEMBERS' EQUITY

#### Liabilities

Securities sold short, at market	\$	15,772,498
Other liabilities		<u>16,932</u>
Total liabilities		15,789,430

#### Members' equity

		<u>22,804,159</u>
	\$	<u>38,593,589</u>

# HARDSCRABBLE TRADING LLC

## CONDENSED SCHEDULE OF INVESTMENTS

December 31, 2007

	Percentage of Members' Equity	Market Value
<b>Securities owned, at market</b>		
<b>Common Stocks</b>		
<b>United States</b>		
Energy	9.8 %	\$ 2,225,989
Drug/Medical	9.7	2,200,703
Insurance	5.2	1,190,309
Food/Beverage	5.2	1,181,603
Business Services	5.0	1,121,507
Aerospace	4.7	1,064,904
Media/Entertainment	3.6	820,896
Building Products	3.5	797,289
Transportation	2.8	631,733
Retail Store	2.7	626,119
Banking/Financial Services	2.7	620,770
Chemicals	2.7	616,002
Semiconductors	2.0	465,331
Telecommunication	1.7	386,895
Electronics	1.4	313,332
Consumer Products	1.2	275,433
Other	4.3	1,009,982
<b>Total securities owned, at market</b>	<b>68.2 %</b>	<b>\$ 15,548,797</b>

See accompanying notes to financial statements.

# HARDSCRABBLE TRADING LLC

## CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

December 31, 2007

	Percentage of Members' Equity	Market Value
<b>Securities sold short, at market</b>		
<b>Common Stocks</b>		
<b>United States</b>		
Energy	10.2 %	\$ 2,331,598
Drug/Medical	9.1	2,079,733
Food/Beverage	5.2	1,197,014
Insurance	5.1	1,165,741
Electronics	4.2	957,656
Aerospace	3.5	804,202
Banking/Financial Services	3.4	773,283
Media/Entertainment	3.4	767,548
Business Services	3.2	726,733
Transportation	2.7	619,584
Heavy Machinery	2.6	588,057
Retail Store	2.4	557,190
Chemicals	2.4	543,873
Software	2.2	497,398
Consumer Products	2.1	475,500
Semiconductors	1.8	404,480
Telecommunication	1.2	265,657
Building Products	1.1	239,931
Other	3.4	777,320
<b>Total securities sold short, at market</b>	<b>69.2 %</b>	<b>\$ 15,772,498</b>

# HARDSCRABBLE TRADING LLC

## NOTES TO FINANCIAL STATEMENTS

---

### 1. Nature of operations and summary of significant accounting policies

#### *Nature of Operations*

Hardscrabble Trading LLC (the "Company"), a New York limited liability company, is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of and is regulated by NYSE Arca Equities, Inc. The Company was organized for the purpose of trading in listed securities and options for its own account. The majority owner of the Company is The Market Neutral Fund, L.P. ("Market Neutral"). The Company's Managing Member is Gruber/Gray LLC.

#### *Valuation of Securities Owned and Securities Sold Short*

The Company values its securities owned and securities sold short that are freely tradable and are listed on a national securities exchange at their last sales price as of the last business day of the period.

#### *Investment Transactions and Related Investment Income*

Investment transactions are accounted for on a trade-date basis. Dividend income and dividends paid on short sales are recorded on the ex-dividend date and interest is recognized on the accrual basis. Net gain (loss) from trading in securities consists primarily of net realized gain (loss) because of the Company's active trading style.

#### *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 amounts disclosed in the financial statements. Actual results could differ from those estimates.

#### *Income Taxes*

The Company does not record a provision for income taxes since the individual members report their share of the Company's income or loss on their income tax returns.

### 2. Net capital requirements

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and 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. At December 31, 2007, the Company's net capital was approximately \$18,700,000, which was approximately \$18,600,000 in excess of its minimum requirement of \$100,000.

# HARDSCRABBLE TRADING LLC

## NOTES TO FINANCIAL STATEMENTS

---

### 3. Exemption from Rule 15c3-3

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

### 4. Concentration of credit risk

The Company conducts business with its clearing broker, Merrill Lynch Professional Clearing Corp., for its own trading activities. The clearing and depository operations for the Company's trading activities are performed by its clearing broker pursuant to a clearance agreement. The securities owned, securities sold short and the due from clearing broker reflected on the statement of financial condition are positions with and amounts pursuant to this clearance agreement.

Amounts due from clearing broker may be restricted to the extent that they serve as deposits for securities sold short.

The Company is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

### 5. Securities sold short

The Company is subject to certain inherent risks arising from its investing activities of selling securities short. The ultimate cost to the Company to acquire these securities may exceed the liability reflected in these financial statements. The Company is not exposed to this risk to the extent it holds offsetting long positions which were approximately \$1,134,000 at December 31, 2007.

### 6. Condensed schedule of investments and disclosure of financial highlights

The Company is a broker-dealer registered with the SEC and is also considered to be an investment company under accounting principles generally accepted in the United States of America. As such, the Company is subject to certain disclosure requirements that would otherwise not be required of a broker-dealer. The Company's management has elected to omit the disclosure of the cost of securities owned and the proceeds of securities sold short and the disclosure of financial highlights, both of which are required for investment companies in accordance with accounting principles generally accepted in the United States of America.

### 7. Related party transactions

In accordance with an Operating and License Agreement, all operating expenses, except for fees paid to NYSE Arca Equities, Inc., and services of the Company are provided by Gruber, Gray & Company, Inc. at the sole expense of the Managing Member.

END