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

SEC FILE NUMBER
8-52074

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 January 1, 2008 AND ENDING December 31, 2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Midwestern Securities Trading  
Company, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
235 Everett Street, P.O. Box 2528

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)  
East Peoria Illinois 61611  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Nathan White (309) 699-6608  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Heinold-Banwart, Ltd

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

2400 N. Main Street East Peoria Illinois 61611  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

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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)

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OATH OR AFFIRMATION

I, Nathan White, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Midwestern Securities Trading Company, LLC, as of December 31, 2008, 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:

Nathan White

Signature

Vice-President

Title

Marilyn K Murphy  
Notary Public



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.

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



INDEPENDENT AUDITORS' REPORT

To the Members  
Midwestern Securities Trading Company, LLC  
East Peoria, Illinois

We have audited the accompanying statement of financial condition of **Midwestern Securities Trading Company, LLC** (the Company) as of December 31, 2008, and the related statements of income and members' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 statements are 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 statements referred to above present fairly, in all material respects, the financial position of Midwestern Securities Trading Company, LLC at December 31, 2008, and the results of its operations and its cash flows for the year then ended, 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 basic financial statements taken as a whole. The information contained in the Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Heinold - Banwart, Ltd.*

February 16, 2009

MIDWESTERN SECURITIES TRADING COMPANY, LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2008

ASSETS

Cash and cash equivalents	\$ 106,555
Receivables from clearing organizations	61,137
Prepaid expenses	9,547
Property and equipment	<u>14,106</u>
	<u>\$ 191,345</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Commissions payable	\$ 56,969
Members' equity	<u>134,376</u>
	<u>\$ 191,345</u>

See accompanying notes.

MIDWESTERN SECURITIES TRADING COMPANY, LLC  
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY  
YEAR ENDED DECEMBER 31, 2008

REVENUES	
Securities commissions	\$ 8,718
Mutual funds / VA commissions	238,592
MAPS commissions and fees	43,175
Mutual funds/VA trails	446,907
Listed stocks	96,978
Money market trails	31,027
Insurance	45,691
Interest	2,523
Miscellaneous income	41,625
	<hr/>
	955,236
EXPENSES	
Commissions	687,746
Clearing charges	72,682
Advertising and promotion	5,567
Consulting and professional services	25,624
Continuing education	6,349
Depreciation and amortization	1,503
Dues and subscriptions	6,614
Insurance	13,424
Licenses and permits	13,997
Office supplies and postage	5,751
Rent	12,000
Repairs and maintenance	196
Salaries	46,090
Seminars and catering	3,017
Travel and entertainment	19,047
Utilities	8,815
Interest expense	57
Miscellaneous expenses	7,556
	<hr/>
	936,035
NET INCOME	19,201
BEGINNING MEMBERS' EQUITY	125,175
DISTRIBUTIONS	<hr/> (10,000)
ENDING MEMBERS' EQUITY	<hr/> <u>\$ 134,376</u>

See accompanying notes.

MIDWESTERN SECURITIES TRADING COMPANY, LLC  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2008

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income	\$ 19,201
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation	1,503
Increase in operating assets	
Accounts receivable	(18,613)
Prepaid expenses	(1,417)
Decrease in operating liabilities	
Accounts payable	<u>(6,397)</u>
Net cash used in operating activities	<u>(5,723)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayment of long-term debt	(4,253)
Member distributions	<u>(10,000)</u>
Net cash used in financing activities	<u>(14,253)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(19,976)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	126,531
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 106,555</u></u>

See accompanying notes.

MIDWESTERN SECURITIES TRADING COMPANY, LLC  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a referring broker-dealer in securities registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. As a referring broker-dealer, the Company executes securities transactions but does not carry securities accounts for customers or perform custodial functions related to customer accounts. The Company therefore claims an exemption from SEC Rule 15c3-3 under Section (k)(2)(i).

Commissions

Commission revenues and expenses and related clearing charges are recorded on a trade-date basis.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers money market funds to be cash equivalents. Money market funds at December 31, 2008 of \$85,414 are not covered by depository insurance.

Accounts Receivable

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. At December 31, 2008, no allowance for future bad debts has been established as it is management's opinion that losses, if incurred, would not materially affect the financial statements.

Property and Equipment

Property and equipment, consisting of equipment and leasehold improvements, are carried at cost, less accumulated depreciation of \$7,488 at December 31, 2008. Depreciation is computed by the straight-line and accelerated methods over useful lives of five to fifteen years. Depreciation expense for the year ended December 31, 2008 was \$1,503.

## Income Taxes

The Company became an LLC on January 1, 2000, and is taxed as a partnership. The partners or “members” of the LLC will be taxed on the earnings at the individual level and as a result there is no provision for income taxes presented in the financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (“FIN 48”), “Accounting for Uncertainty in Income Taxes.” FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. On December 30, 2008, the FASB issued FASB Staff Position FIN 48-3 which deferred the effective implementation date of FIN 48 to the Company’s annual financial statements ending on December 31, 2009 and the Company has elected to defer application of FIN 48. The Company does not expect that the adoption of FIN 48 will have a material effect on its financial position, results of operations or cash flows.

## NOTE 2. DEPOSITS WITH CLEARING ORGANIZATION

Included in cash and cash equivalents the Company has a deposit in a money market account with a clearing organization of \$25,000 at December 31, 2008.

## NOTE 3. RELATED PARTY TRANSACTIONS

The Company is related to John Graham and Associates by common ownership. The Company rents office space from this related party. The lease is on a month-to-month basis of \$1,000 per month and \$600 per month to cover the utility costs. Total lease expense for the year ended December 31, 2008 was \$12,000.

## NOTE 4. 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, 2008, the Company had adjusted net capital of \$109,515, which was \$59,515 in excess of its required net capital of \$50,000. The adjusted net capital of \$109,515 is equal to the net capital the Company reported in its Focus Report.

**SUPPLEMENTARY INFORMATION**

MIDWESTERN SECURITIES TRADING COMPANY, LLC  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
YEAR ENDED DECEMBER 31, 2008

NET CAPITAL	<u>\$ 134,376</u>
NON-ALLOWABLE ASSETS	
Prepaid expenses	9,547
Property and equipment	<u>14,106</u>
	<u>23,653</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITY POSITIONS	110,723
HAIRCUTS ON SECURITY POSITIONS	
Money market accounts	<u>1,208</u>
ADJUSTED NET CAPITAL	<u><u>\$ 109,515</u></u>
MINIMUM NET CAPITAL REQUIRED	<u><u>\$ 50,000</u></u>
EXCESS NET CAPITAL	<u><u>\$ 59,515</u></u>



INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL

To the Members  
Midwestern Securities Trading Company, LLC  
East Peoria, Illinois

In planning and performing our audit of the financial statements of Midwestern Securities Trading Company, LLC (the Company), as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control, including control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Heinold - Banwart, Ltd.*

February 16, 2009

**MIDWESTERN SECURITIES TRADING COMPANY, LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

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