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

Washington, DC  
110

FACING PAGE

SEC FILE NUMBER
8- 52506

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 01/01/2008 AND ENDING 12/31/2008  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

INTRADE, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

Two Rector Street, Suite 1103

(No. and Street)

New York

New York

10006

(City)

(State)

(Zip Code)

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

Brian J. Potash

(212) 566-2484

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Kempisty & Company, Certified Public Accountants, P.C.

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

15 Maiden Lane, Suite 1003

New York

New York

10038

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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

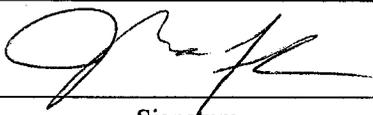
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displays a currently valid OMB control number.

**OATH OR AFFIRMATION**

I, Mark I. Frank, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of INTRADE, LLC, as of December 31, 20 08, 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:

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



Signature

**Managing Member**

Title

**DIERDRE STEINHAUS AINBINDER**  
Notary Public, State of New York  
No. 01A14899711  
Qualified in Nassau County  
Commission Expires July 6, 20 11

Dierdre Steinhaus Ainbinder  
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 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.

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

**INTRADE, LLC**

Statement of Financial Condition

December 31, 2008

(With Independent Auditor's Report Thereon)

**INTRADE, LLC**

**DECEMBER 31, 2008**

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# KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

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## INDEPENDENT AUDITORS' REPORT

To the Stockholder of  
Intrade, LLC

We have audited the accompanying statement of financial condition of Intrade, LLC as of December 31, 2008. 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 statement of financial condition. 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 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 Intrade, LLC as of December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

*Kempisty & Company CPAs PC*

Kempisty & Company  
Certified Public Accountants PC  
New York, New York  
February 26, 2009

INTRADE, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2008

ASSETS

Cash and cash equivalents	\$ 41,905,362
Restricted cash (CD)	45,000
Receivable from broker-fails to deliver (Note 6)	10
Clearing deposits (Note 6)	9,596,451
Due from Clearing Brokers (Note 6)	12,427,339
Interest and Dividends Receivable	15,769
Fixed Assets (net of accumulated depreciation of \$1,370,387) (Note 7)	1,980,075
Rebates receivable	104,304
Security Deposits	13,200
Prepaid Expenses	26,291
Exchange seats, at cost	572,450
Loans receivable	81,500
Other investments (Note 8)	40,816
	<hr/>
TOTAL ASSETS	\$ <u>66,808,567</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable and Accrued Expenses	\$ 323,447
Dividends Payable	23,609
Interest payable	267,945
	<hr/>
	615,001
	<hr/>
Commitments and Contingent Liabilities (Note 9)	-
Subordinated Loans (Note 11)	28,937,000
	<hr/>
	28,937,000
	<hr/>
Members' Equity	37,256,566
	<hr/>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ <u>66,808,567</u>

The accompanying notes are an integral part of these financial statements.

## INTRADE, LLC

### NOTES TO FINANCIAL STATEMENTS

December 31, 2008

#### NOTE 1- ORGANIZATION AND NATURE OF BUSINESS

Intrade, LLC, a New York limited liability company (the "Company") is registered as a securities broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the New York Stock Exchange ("NYSE"), the NYSE Alternext ("NYSEA") (F/N/A the American Stock Exchange ("AMEX")), the Financial Industry Regulatory Authority ("FINRA"), the National Futures Association ("NFA"), Depository Trust Company ("DTC"), National Securities Clearing Corporation ("NSCC"), NYSE ARCA ("ARCO"), CME and COMEX.

The Company is engaged in the activity of trading securities and futures.

#### NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Cash and Cash Equivalents

All short-term investments with an original maturity of three months or less are considered to be cash equivalents.

##### Concentration of Credit Risk

The Company is engaged in various investment and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

At December 31, 2008 the Company's clearing brokers held assets of \$12,427,339 on behalf of the Company.

Additionally, cash balances are held principally at two financial institutions and exceed the \$250,000 insurable limit. The Company believes it mitigates its risk by investing in or through major financial institutions. Recoverability is dependent upon the performance of the institution.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

INTRADE, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Securities transactions and related income and expenses are recorded on the books on a trade date basis.

Securities-Lending Activities

Securities borrowed and securities loaned transactions are generally reported as collateralized financings except where letters of credit or other securities are used as collateral. Securities-borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash or other collateral in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Depreciation and Amortization

The cost of furniture and equipment is depreciated over the estimated useful lives of the related assets of five to seven years. Software is depreciated over 5 years. The cost of leasehold improvements is amortized over the lesser of the length of the related lease or the estimated useful life of the assets. Depreciation is computed on a straight line basis for financial reporting purposes and on an accelerated basis for income tax purposes. Leasehold improvements for income tax purposes are amortized in accordance with Internal Revenue Service regulations.

Exchange Memberships

The Company's CBOT, CME and COMEX seats, which represent ownership interests in the Exchanges and provides the Company with the right to conduct business on the Exchanges, are recorded at cost.

Comprehensive Income

The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 requires an entity to report comprehensive income and its components and increases financial reporting disclosures. This standard has no impact on the Company's financial position, cash flows or results of operations since no elements of the Company's comprehensive income exist other than the loss from operations.

INTRADE, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

The Company does not expect the adoption of recent accounting pronouncements to have any material impact on its financial condition or results of operations.

Translation of Foreign Currencies

The Company's Canadian dollar brokerage account is translated at year end rates of exchange by the clearing broker. Transactions during the year are recorded at their U.S. dollar equivalent at the time the transaction occurs. Any currency gain or loss is included in the gain or loss of the completed transaction.

Exchange Memberships

The Company's exchange memberships which represent ownership interests in the exchanges and provide the Company with the right to conduct business on the exchanges, are recorded at cost.

Fair Value Measurements

The Company adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"), effective January 1, 2008. The provisions of SFAS 157 are to be applied prospectively.

SFAS 157 clarifies that fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Under SFAS 157, fair value measurements are not adjusted for transaction cost. SFAS 157 provides for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company.
- Level 3: Unobservable inputs. Unobservable inputs reflect the assumptions that the Company develops based on available information about what market participants would use in valuing the asset or liability.

INTRADE, LLC

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. The Company uses judgment in determining fair value of assets and liabilities and Level 3 assets and liabilities involve greater judgment than Level 1 and Level 2 assets or liabilities.

NOTE 3- FAIR VALUE OF INSTRUMENTS

The following are the Company's investments owned and securities sold short by level within the fair value hierarchy at December 31, 2008.

	Fair Value	Fair Value Hierarchy
First American Treasury Obligations	\$ <u>39,779,396</u>	Level 1
DTCC shares	\$ <u>30,816</u>	Level 2

NOTE 4- CASH AND CASH EQUIVALENTS

First American Treasury Obligations	\$ 39,779,396
Business Money Market	2,000,000
Cash - Checking	<u>125,966</u>
	<u>\$ 41,905,362</u>

NOTE 5- INCOME TAXES

No provisions for federal and state income taxes are made in the financial statements as these taxes are the responsibility of the members under this form of organization.

NOTE 6- RECEIVABLE FROM BROKER-DEALERS AND CLEARING ORGANIZATIONS

Amounts receivable from and payable to the Company's clearing organization, and others at December 31, 2008, consist of the following:

	<u>Receivable</u>
Receivable from clearing broker	\$ 12,427,339
Securities failed to deliver	10
Clearing deposits (NSCC,DTCC,CME)	<u>9,596,451</u>
	<u>\$ 22,023,800</u>

**INTRADE, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

**NOTE 7- FIXED ASSETS**

Fixed assets are comprised of the following at December 31, 2008:

Furniture	\$ 22,846
Equipment	1,896,061
Software	565,051
Leasehold Improvements	866,504
	3,350,462
Less: Accumulated depreciation and amortization	(1,370,387)
	\$ 1,980,075

**NOTE 8- OTHER INVESTMENTS**

Other investments are comprised of the following at December 31, 2008:

JBO-Fortis	\$ 10,000
DTCC shares	30,816
	\$ 40,816

**NOTE 9- COMMITMENTS AND CONTINGENCIES**

Operating Leases

The Company has lease agreements for office space which expire through 2014. During 2008 the Company paid \$361,281 in rent expense.

Remaining commitments under the operating leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2009	\$ 312,474
2010	115,728
2011	120,055
2012	120,055
2013 and thereafter	240,110
	\$ 908,422

Seat Leases

The Company has entered into an Assignment Agreement with an outside party whereby two Chicago Mercantile ("CME") memberships and 8,000 Class A shares have been assigned to the Company, which when pledged to the CME will enable Intrade to qualify as a CME Corporate Equity Member. The Company's clearing broker has indemnified the Assignor from any loss and/or liability associated with use of these assets

INTRADE, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 9- COMMITMENTS AND CONTINGENCIES (continued)

Securities Loan Agreement

The Company entered into Master Securities Loan Agreements with approximately thirteen companies for the purpose of securities lending and borrowing.

Software License Agreement

During 2003 the Company entered into a software license and support services agreement. Under the agreement the Company must pay a minimum fee of \$15,000 per month.

NOTE 10- NET CAPITAL REQUIREMENTS

The Company is a member of the New York Stock Exchange and is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires that the ratio of aggregate indebtedness to net capital may not exceed 15 to 1, and equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. The Company is also subject to the Commodity Futures Trading Commission's (CFTC'S) minimum financial requirements (Regulation 1.17), which require that the Company maintain net capital, as defined, equal to 4 percent of customer funds required to be segregated pursuant to the Commodity Exchange Act, less the market value of certain commodity options, all as defined. At December 31, 2008, the Company's net capital was \$62,613,818 which was \$62,363,818 in excess of its required net capital of \$250,000. The Company's debt to debt-equity ratio was .4372 to 1.

NOTE 11- SUBORDINATED BORROWINGS

The borrowings under subordination agreements at December 31, 2008 are as follows:

Subordinated loan at 12% interest payable quarterly, maturity date January 26, 201	\$ 1,675,000
Subordinated loan at 14% interest payable quarterly, maturity date August 31, 2009	11,112,000
Subordinated loan at 12% interest payable quarterly, maturity date August 31, 2009	650,000
Subordinated loan at 14% interest payable quarterly, maturity date February 15, 2009	3,000,000
Subordinated loan at 14% interest payable quarterly, maturity date October 31, 2009	5,000,000
Subordinated loan at 15% interest payable quarterly, maturity date February 28, 2010	7,000,000
Subordinated loan, variable rate, interest payable monthly, maturity date March 3, 2010	500,000
	<u>\$ 28,937,000</u>

The subordinated borrowings are available in computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. Additionally, all borrowings have automatic rollover provisions.

INTRADE, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE 12- SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Financing Activities

During 2008, the Company repaid \$2,632,000 of approved subordinated borrowings.

NOTE 13- OFF BALANCE SHEET RISK

Pursuant to a clearance agreement, the Company clears its futures transactions through a clearing broker. Under certain conditions as defined in the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions initiated by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the securities transactions introduced by the Company.

NOTE 14- GUARANTEES

FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, requires the Company to disclose information about its obligations under certain guarantee arrangements. FIN 45 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or non occurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. FIN 45 also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The maximum potential amount of future payments that the Company could be required to make under the indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.