



09058055

COMMISSION
19

cm

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

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

SEC FILE NUMBER
8-67066

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: HARD EIGHT TRADING, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

141 West Jackson Boulevard, Suite 1180

<u>Chicago</u>	<u>(No. and Street)</u> <u>Illinois</u>	<u>60604</u>
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Francis Wisniewski (312) 346-2589
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

FGMK, LLC

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

<u>2801 Lakeside Drive, 3rd Floor</u>	<u>Bannockburn</u>	<u>IL</u>	<u>60015</u>
(Address)	(City)	(State)	(Zip Code)

SEC Mail Processing
Section

CHECK ONE:

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

FEB 27 2009
Washington, DC
111

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)

HARD EIGHT TRADING, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2008

TABLE OF CONTENTS

	Page
LETTER OF OATH OR AFFIRMATION	1
INDEPENDENT AUDITOR'S REPORT	2
STATEMENT OF FINANCIAL CONDITION December 31, 2008	3
STATEMENT OF INCOME Year Ended December 31, 2008	4
STATEMENT OF CHANGES IN MEMBERS' EQUITY Year Ended December 31, 2008	5
STATEMENT OF CASH FLOWS Year Ended December 31, 2008	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 9
SUPPLEMENTARY INFORMATION PURSUANT TO RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION	10
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION December 31, 2008	11

OATH OR AFFIRMATION

I, Francis Wisniewski, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hard Eight Trading, LLC 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:



Elizabeth T. Long
Notary Public

Handwritten signature of Francis Wisniewski

Signature

Managing Member

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.

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

INDEPENDENT AUDITOR'S REPORT

To the Members
Hard Eight Trading, LLC

We have audited the accompanying statement of financial condition of Hard Eight Trading, LLC as of December 31, 2008, and the related statements of income, changes in 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. 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 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 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 Hard Eight Trading, LLC as of 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.

FGMK, LLC

Bannockburn, Illinois
February 14, 2009

2801 Lakeside Drive
3rd Floor
Bannockburn, IL 60015

847 374 0400 v
847 374 0420 f

www.fgmk.net

HARD EIGHT TRADING, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2008

ASSETS

Due from broker	\$ 21,742,022
Dividend receivables	110,899
Securities owned, at market value	
Equities	16,378,272
Options	1,686,984
Deposits	<u>10,000</u>
	<u><u>\$ 39,928,177</u></u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Securities sold, not yet purchased, at market value	\$ 19,653,539
Equities	3,603,314
Options	100,000
Accounts payable - Affiliate	72,332
Accounts payable - Other	<u>23,429,185</u>

MEMBERS' EQUITY

	<u>16,498,992</u>
	<u><u>\$ 39,928,177</u></u>

The accompanying notes are an integral part of this statement.

HARD EIGHT TRADING, LLC
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2008

GROSS INCOME

Trading gains, net	\$ 8,362,757
Dividend and interest income	<u>2,478,476</u>
	<u>10,841,233</u>

EXPENSES

Interest	2,306,752
Commissions	849,097
Market information	567,683
Trading	402,145
Exchange fees and dues	371,943
Salaries and related costs	132,958
General and administrative	102,034
Other	<u>55,165</u>
	<u>4,787,777</u>

NET INCOME

\$ 6,053,456

The accompanying notes are an integral part of this statement.

HARD EIGHT TRADING, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2008

MEMBERS' EQUITY - BEGINNING OF YEAR	\$ 11,133,209
CONTRIBUTIONS FROM MEMBERS	20,962,327
DISTRIBUTIONS FROM MEMBERS	(21,650,000)
NET INCOME	<u>6,053,456</u>
MEMBERS' EQUITY - END OF YEAR	<u><u>\$ 16,498,992</u></u>

The accompanying notes are an integral part of this statement.

HARD EIGHT TRADING, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 6,053,456
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Due from broker	(11,841,444)
Dividend receivable	97,789
Securities owned, at market value	31,933,504
Securities sold, not yet purchased, at market value	(25,509,747)
Accounts payable	<u>(88,954)</u>
Net Cash Provided By Operating Activities	<u>644,604</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions from members	20,962,327
Distributions from members	<u>(21,650,000)</u>
Net Cash Used In Financing Activities	<u>(687,673)</u>
NET CHANGE IN CASH	(43,069)
CASH - BEGINNING OF YEAR	<u>43,069</u>
CASH - END OF YEAR	<u><u>\$ -</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest paid	<u><u>\$ 2,306,000</u></u>

The accompanying notes are an integral part of this statement.

HARD EIGHT TRADING, LLC
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business. Hard Eight Trading, LLC, a Delaware limited liability company (the “Company”), is a registered broker-dealer engaged exclusively in firm trading on a proprietary basis for its own account. The Company is a registered broker-dealer with the Chicago Board Options Exchange, with its office of operations located in Chicago, Illinois.

Management Estimates and Assumptions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash. The Company regularly maintains cash balances that exceed Federal Depository Insurance Corporation limits.

Due To/From Clearing Broker. Receivables from and payables to clearing organizations consist of cash accounts or amounts borrowed on margin.

Deposits. The Company is required to maintain a \$10,000 “good-faith” escrow deposit required by its outside clearing broker.

Revenue Recognition. The Company buys and sells securities for its own account. The profit or loss is measured by the difference between the acquisition cost and the selling price or current market or fair value. Trading gains and losses, which are composed of both realized and unrealized gains and losses, are presented net.

Income Taxes. The Company is taxed as a partnership and generally does not pay Federal or state income taxes on its taxable income. Instead, the members are liable for Federal and state income taxes on their proportionate shares of the Company’s taxable income. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

NOTE 2 – SECURITIES OWNED AND SOLD, NOT YET PURCHASED

Securities owned and sold, not yet purchased, consist of positions in various exchange traded funds and options and are presented at market value as of December 31, 2008.

NOTE 3 – FINANCIAL INSTRUMENTS

Derivatives. Derivative financial instruments used for trading purposes, including positions in various exchange traded derivatives are based on quoted market prices. Unrealized gains and losses on these derivative contracts are recognized currently in the statement of income as part of firm trading revenues. The Company does not apply hedge accounting as defined in FASB statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, as all the financial instruments are marked to market with changes in fair values reflected in earnings. Therefore, the disclosure required in paragraphs 44 and 45 of the statement are generally not applicable with respect to these financial instruments.

Short Sales. The Company may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Company sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the sale. A gain, limited to the price at which the Company sold short, or a loss, unlimited in size, will be recognized upon the termination of a short sale. Such transactions are reflected as securities sold but not yet purchased in the accompanying statement of financial condition.

HARD EIGHT TRADING, LLC

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 4 – SUMMARY OF OFF-BALANCE SHEET RISKS

Margin. The Company's activities may be transacted on either a cash or margin basis. In margin transactions, credit is extended to the Company, and is subject to various regulatory and internal margin requirements, collateralized by cash and securities in the Company's account. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that the Company may incur. The Company monitors required margin levels and, pursuant to such guidelines, may deposit additional collateral or reduce positions when necessary.

Financial Instruments. The Company enters into various transactions involving derivatives and other off-balance sheet risk. These financial instruments include futures and foreign exchange contracts. These derivative financial instruments are entered for trading purposes or to economically hedge other positions or transactions.

Concentrations of Credit Risk. The Company engages in various trading 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.

Market Risk. Market risk is the potential change in an instrument's value caused by fluctuations in interest rates, equity prices, credit spreads, volatilities, correlations, liquidity, or other risks. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which financial instruments are traded. In many cases, the use of derivative financial instruments serves to modify or offset market risk associated with other transactions and accordingly, serves to decrease the Company's overall exposure to market risk. The Company utilizes various analytical monitoring techniques to control its exposure to market risk.

Guarantees. In the normal course of trading activities, the Company trades and holds certain fair-valued derivative contracts, which may constitute guarantees under the Financial Accounting Standards Board (FASB) Interpretation No. 45, *Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN 45). Such contracts include written option contracts that are not settled in cash. These written option contracts obligate the Company to deliver or take delivery of specified financial instruments at a contracted price in the event the holder exercises the option.

As of December 31, 2008, the maximum payouts for these contracts are limited to the notional amounts of each contract. Maximum payouts do not represent the expected future cash requirements as the Company's written options positions are typically liquidated or expire and are not exercised by the holder of the option. In addition, maximum payout amounts, in the case of the exercise of written call option, may be offset by the subsequent sale of the underlying financial instrument if owned by the Company. The fair values of all written option contracts as of December 31, 2008, are included in securities sold, not yet purchased in the statement of financial condition.

NOTE 5 – RELATED PARTY TRANSACTIONS

General and Administrative Expenses. General and administrative expenses including certain equipment, data feeds, and consulting and legal services of the Company are paid by Hard Eight Futures, LLC ("Futures"). These costs are charged back to the Company on an annual basis for \$100,000. As of December 31, 2008, the Company had not yet paid Futures for these expenses, and accordingly has presented this amount in the accompanying balance sheet as accounts payable.

HARD EIGHT TRADING, LLC**NOTES TO THE FINANCIAL STATEMENTS**
(Concluded)**NOTE 6 – 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 amount of \$100,000, and requires the ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1. Failure to maintain the minimum capital amount could result in the loss of the Company's ability to act as a securities broker-dealer under the Securities Exchange Act of 1934. At December 31, 2008, the Company had net capital of \$10,046,199, which was \$9,946,199 in excess of its required net capital of \$100,000.

Management does not anticipate any material capital distributions to be made during the six months after December 31, 2008.

NOTE 7 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued FIN No. 48 Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 ("FIN 48"). This interpretation clarifies the accounting and financial statement reporting for uncertainty in income taxes recognized by prescribing a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. The interpretation was originally effective for fiscal years beginning after December 15, 2006. In November 2008, the FASB deferred the effective date of this pronouncement to annual periods beginning after December 15, 2008. Management has not yet completed its analysis of the effects of this interpretation and has not determined if the adoption of FIN 48 will have a material impact on the Company's financial statements.

SUPPLEMENTARY INFORMATION
PURSUANT TO RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Members
Hard Eight Trading, LLC

We have audited the accompanying financial statements of Hard Eight Trading, LLC as of and for the year ended December 31, 2008, and have issued our report thereon dated February 14, 2009. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in page 11 is presented for the purpose 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.

FGMK, LLC

Bannockburn, Illinois
February 14, 2009

2801 Lakeside Drive
3rd Floor
Bannockburn, IL 60015

847 374 0400 v
847 374 0420 f

www.fgmk.net

HARD EIGHT TRADING, LLC

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF
THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2008

NET CAPITAL

Members' equity, December 31, 2008	\$ 16,498,992
Deduct:	
Members' equity not allowed for net capital	<u>-</u>
Total members' equity qualified for net capital	16,498,992
Add:	
Allowable subordinated liabilities	-
Other deductions or credits	<u>-</u>
Total capital and allowable subordinated liabilities	16,498,992
Deductions and / or charges:	
Total non-allowable assets	(10,000)
Secured demand note deficiency	-
Cap charges for spot & commodity futures	(1,628,939)
Other deductions and / or charges	-
Other additions and / or allowable credits	<u>-</u>
Net capital before haircuts	14,860,053
Haircuts on securities:	
Contractual commitments	-
Subordinated debt	-
Trading and investment securities:	
Exempted securities	-
Debt securities	-
Options	-
Other securities	(4,523,228)
Undue concentration	(12,408)
Other	<u>(278,218)</u>
NET CAPITAL UNDER RULE 15c3-1, DECEMBER 31, 2008	<u><u>\$ 10,046,199</u></u>

See Independent Auditor's Report On Supplementary Information Required By Rule 17a-5 Of The Securities And Exchange Commission.

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Net capital under Rule 15c3-1, December 31, 2008	<u><u>\$ 10,046,199</u></u>
A. Minimum net capital required based on aggregate indebtedness	<u>\$ 11,449</u>
B. Minimum dollar requirement	<u>\$ 100,000</u>
Net capital requirement (greater of A. or B.)	<u><u>\$ 100,000</u></u>
Excess basic net capital requirement, December 31, 2008	<u><u>\$ 9,946,199</u></u>

No material differences were noted between the above computation and the computation made by Hard Eight Trading, LLC of net capital under Rule 15c3-1. Therefore, no reconciliation is necessary pursuant to Rule 17a-5(d)(4).

HARD EIGHT TRADING, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2008

**SEC Mail Processing
Section**

FEB 27 2009

**Washington, DC
111**