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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 01/01/12 AND ENDING 12/31/12  
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.

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.

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)

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CPA  
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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, 2012, 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 / CFO

Title

*Matthew Jon Kuntz*  
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).

**MIDWESTERN SECURITIES TRADING  
COMPANY, LLC**

**FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 and 2011**



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**MIDWESTERN SECURITIES TRADING  
COMPANY, LLC**

**FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 and 2011**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Midwestern Securities Trading Company, LLC** (the Company), which comprise the statements of financial condition as of December 31, 2012 and 2011, and the related statements of operations and members' equity and cash flows for the years then ended, and the related notes to the financial statements that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *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 as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the Computations 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 financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Heinold - Banwart, Ltd*

February 7, 2013

MIDWESTERN SECURITIES TRADING COMPANY, LLC  
 STATEMENTS OF FINANCIAL CONDITION  
 DECEMBER 31, 2012 AND 2011

ASSETS	2012	2011
Cash and cash equivalents	\$ 274,389	\$ 217,917
Receivables from clearing organizations	75,297	83,227
Prepaid expenses	24,107	17,098
Property and equipment	9,564	10,561
	<u>\$ 383,357</u>	<u>\$ 328,803</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities</b>		
Commissions payable	\$ 118,800	\$ 101,486
Accrued expenses	385	3,508
	119,185	104,994
Members' equity	264,172	223,809
	<u>\$ 383,357</u>	<u>\$ 328,803</u>

See accompanying notes.

MIDWESTERN SECURITIES TRADING COMPANY, LLC  
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY  
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
REVENUES		
Securities commissions	\$ 58,608	\$ 48,306
Listed stocks	157,021	112,293
Other commissions and fee income	2,519,793	2,056,545
Interest	2,977	264
	<u>2,738,399</u>	<u>2,217,408</u>
EXPENSES		
Personnel expense	74,689	186,835
Commissions	1,909,732	1,512,418
Clearing charges	137,886	128,746
Other expenses	545,729	325,094
	<u>2,668,036</u>	<u>2,153,093</u>
NET INCOME	70,363	64,315
BEGINNING MEMBERS' EQUITY	223,809	189,494
DISTRIBUTIONS	<u>(30,000)</u>	<u>(30,000)</u>
ENDING MEMBERS' EQUITY	<u>\$ 264,172</u>	<u>\$ 223,809</u>

See accompanying notes.

MIDWESTERN SECURITIES TRADING COMPANY, LLC  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 70,363	\$ 64,315
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	2,324	10,600
(Increase) decrease in operating assets		
Receivables from clearing organizations	7,930	(18,832)
Prepaid expenses	(7,009)	348
Increase (decrease) in operating liabilities		
Commissions payable	17,314	3,321
Accrued expenses	(3,123)	3,098
	87,799	62,850
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	(1,327)	(8,933)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member distributions	(30,000)	(30,000)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	56,472	23,917
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	217,917	194,000
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 274,389	\$ 217,917

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 and deposits with clearing organization to be cash equivalents. Cash equivalent funds not covered by depository insurance amounted to \$116,709 at December 31, 2012.

Receivables from Clearing Organizations

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, 2012 and 2011, 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 furniture, equipment, and leasehold improvements, are carried at cost, less accumulated depreciation of \$27,298 and \$24,974 at December 31, 2012 and 2011, respectively. Depreciation is computed by the straight-line and accelerated methods over useful lives of five to fifteen years. Depreciation expense amounted to \$2,324 and \$10,600 for the years ended December 31, 2012 and 2011, respectively.

## 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.

The Company files income tax returns in the U.S. federal and State of Illinois jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2009.

## Subsequent Events

The Company has evaluated subsequent events through February 7, 2013, the date the financial statements were available to be issued.

## NOTE 2. DEPOSITS WITH CLEARING ORGANIZATION

Included in cash and cash equivalents the Company has a deposit with a clearing organization of \$50,000 at December 31, 2012 and 2011.

## 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. Rents in 2012 amounted to \$2,400 per month through March 31 and \$2,800 thereafter. Rents in 2011 amounted to \$2,400 per month. Pursuant to the lease, the Company also pays 50 percent of all utilities, garbage, custodial, lawn care, real estate taxes, repair and maintenance costs, phone bills, and office supplies. Rent expense amounted to \$32,178 and \$29,028 for the years ended December 31, 2012 and 2011, respectively.

## 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, 2012, the Company had adjusted net capital of \$222,331, which was \$172,331 in excess of its required net capital of \$50,000. The adjusted net capital of \$222,331 is equal to the net capital the Company reported in its Focus Report.

**SUPPLEMENTARY INFORMATION**

MIDWESTERN SECURITIES TRADING COMPANY, LLC  
 COMPUTATIONS OF NET CAPITAL UNDER RULE 15c3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
NET CAPITAL	<u>\$ 264,172</u>	<u>\$ 223,809</u>
NON-ALLOWABLE ASSETS		
Prepaid expenses	24,107	17,098
Property and equipment	<u>9,564</u>	<u>10,561</u>
	<u>33,671</u>	<u>27,659</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITY POSITIONS	230,501	196,150
HAIRCUTS ON SECURITY POSITIONS		
Money market accounts	<u>8,170</u>	<u>840</u>
ADJUSTED NET CAPITAL	<u>\$ 222,331</u>	<u>\$ 195,310</u>
MINIMUM NET CAPITAL REQUIRED	<u>\$ 50,000</u>	<u>\$ 50,000</u>
EXCESS NET CAPITAL	<u>\$ 172,331</u>	<u>\$ 145,310</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, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to 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, 2012, 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 7, 2013