

IBS SECURITIES LLC

STATEMENT OF FINANCIAL CONDITION

as of December 31, 2001

U.S. Dollars

ASSETS

Current Assets

Cash	10,513
Receivables from broker-dealer	1,540,535
Investment in broker-dealer	10,000
Other Assets	<u>25,250</u>
Total Assets	<u>1,586,298</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities

Accounts payable	31,263
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Members' Equity	1,555,035
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Total Liabilities and Members' Equity	<u>1,586,298</u>
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The accompanying notes are an integral part
Of the statement of financial condition.

REPORT INDEPENDENT AUDITORS' REPORT

To the Members of
IBS SECURITIES, LLC.

We have audited the accompanying statement of financial condition of IBS Securities LLC, as of December 31, 2002, and the related statements of operations, 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 the financial statements based on our audit.

We conducted the 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 IBS Securities LLC as of December 31, 2002, 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 supplementary schedules 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 (d) of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our 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.

Pfyon & Juraska

Chicago, Illinois
February 14, 2002

IBS SECURITIES, LLC.

Statement of
Financial Condition

December 31, 2001

300 W. Adams, Suite 520
Chicago, Illinois 60606
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312-456-5114

IBS SECURITIES, LLC

NOTES TO FINANCIAL STATEMENT

December 31, 2001

1. Summary of Significant Account Policies

Organization

IBS Securities LLC (the Company) is a registered broker-dealer in securities under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc. (NASD). The Company was formed by the merger of IBS Securities Incorporated and IBS Securities LLC as of March 15, 2000. The Company assumed all obligations and received all assets and registrations of IBS Securities Incorporated.

The Company acts as a correspondent broker on a fully disclosed basis. Revenue is derived from proprietary trading of securities and commodity futures contracts and commissions from processing orders for securities transactions on behalf of its customers.

Income taxes

No provision has been made for federal income taxes as the taxable income or loss of the Company is included in the respective income tax returns of the members.

Securities and commodities owned

Proprietary securities and commodities transactions are recorded on the transaction date; positions are marked to market with related gains and losses recognized currently in income. Gains and losses on open commodity futures and options on futures contracts, if any, which are marked to market, are recognized currently in income.

2. Net Capital Requirement

The Company is a broker-dealer subject to the Securities and Exchange Commission's Uniform Net Capital Rule (15c3-1).

At December 31, 2001, the Company had net capital and net capital requirements of approximately \$1,519,785 and \$100,000, respectively.

3. Off-Balance-Sheet Risk

In the normal course of business, securities transactions of customers of the Company are introduced and cleared through MAN Financial, Inc. (MAN) and proprietary futures trading are transacted through First Options of Chicago, Inc. (FOC).

Pursuant to agreements between the Company and MAN, MAN has the right to charge the Company for unsecured losses that result from a customer's failure to complete such transactions. The Company does not anticipate nonperformance by customers. The Company has a policy of reviewing, as considered necessary, the credit standing of each customer with which it conducts business.

4. Clearing Agreement

The Company has a Joint Back Office (JBO) clearing agreement with First Options of Chicago, Inc. (FOC). The agreement allows JBO participants to receive favorable margin treatment as compared to the full customer margin requirements of Regulation T. As part of this agreement, the Company has invested \$10,000 in the preferred shares of FOC. The Company's investment in FOC is reflected as investment in broker-dealer in the statement of financial condition. The agreement requires that the Company maintain a minimum net liquidating equity of \$1 million with FOC, exclusive of the preferred stock investment.

5. Due from Affiliates

Amounts due to entities with common ownership at December 31, 2001 amounted to \$29,578.

5. Derivative Financial Instruments

The Company enters into transactions of derivative financial instruments, which include commodity futures contracts, for trading purposes. The Company had no derivative positions open at December 31, 2001.