

**IBS SECURITIES LLC**

**STATEMENT OF FINANCIAL CONDITION**

**as of December 31, 2006**

**U.S. Dollars**

**ASSETS**

**Current Assets**

Cash	133,799
Receivables from broker-dealer	865,093
Investment in securities, at fair value (cost \$56,550)	<u>92,370</u>
Other assets	<u>70,338</u>
Total Assets	<u><u>1,161,600</u></u>

**LIABILITIES AND MEMBERS' EQUITY**

**Liabilities**

Accounts payable	<u>10,506</u>
Total Liabilities	10,506

Total Members Equity 1,151,094

Total Liabilities and Members' Equity 1,161,600

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, L.L.C. as of December 31, 2006, and the related statements of operations, changes in members' equity, changes in liabilities subordinated to claims of general creditors 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. Our audit included 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 IBS SECURITIES, L.L.C. as of December 31, 2006, 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 under the Securities 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.

*Ryan & Juraska*

Chicago, Illinois  
February 19, 2007

**IBS SECURITIES, LLC**

**Statement of  
Financial Condition**

December 31, 2006

53 West Jackson  
Chicago, Illinois 60604  
1-800-671-1074  
312-582-6720

## IBS SECURITIES, LLC

### NOTES TO FINANCIAL STATEMENT

December 31, 2006

#### 1. Organization and Business

IBS Securities L.L.C. (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). As of March 15, 2000, the merger of IBS Securities Incorporated and IBS Securities L.L.C formed the Company. 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.

#### 2. Summary of Significant Account Policies

##### 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.

#### 3. Net Capital Requirements

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

At December 31, 2006, the Company had net capital and net capital requirements of approximately \$201,807 and \$100,000, respectively.

#### 4. Off-Balance-Sheet Risk

In the normal course of business, securities transactions of customers of the Company are introduced and cleared through ADP Clearing & Outsourcing Service and Man Securities Inc., a division of Man Financial Inc.

Pursuant to agreements between the Company and ADP Clearing & Outsourcing Service and Man Securities, either ADP Clearing & Outsourcing Service or Man Securities 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.

#### 5. Due from Affiliates

Net amounts due from entities with common ownership at December 31, 2006 amounted to \$840,881. The majority of this amount is fully collateralized.

#### 6. Derivative Financial Instruments

The Company enters into transactions of derivative financial instruments, which include commodity futures contracts, for trading purposes.