

**INTEGRATED BROKERAGE SERVICES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
as of December 31, 2004  
U.S. Dollars

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Securities	96,670
Segregated Funds	1,990,336
Due From Brokers	1,717,505
Other	<u>1,008,693</u>
Total Current Assets	4,810,204
Securities Owned at Market (non-cur)	10,474
Other Receivables and Non-Current Assets	<u>262,904</u>
Total Non-Current Assets	273,381
Total Assets	<u><u>5,083,585</u></u>

**LIABILITIES AND MEMBERS' EQUITY**

<b>Liabilities</b>	
<b>Current Liabilities</b>	
Equities in Commodity Accounts	3,531,287
Other Payables	<u>84,667</u>
Total Current Liabilities	3,615,954
Subordinated Debt	313,222
Total Ownership Equity	<u><u>1,154,409</u></u>

The accompanying notes are an integral part  
Of the statement of financial condition.

**REPORT INDEPENDENT AUDITORS' REPORT**

To the Stockholders of  
**INTEGRATED BROKERAGE SERVICES, INC.**

We have audited the accompanying statement of financial condition of Integrated Brokerage Services, Inc. as of December 31, 2004 and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors and cash flows for the year then ended. 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. 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 Integrated Brokerage Services, Inc. as of December 31, 2004 and the results of its operations and its cash flows for the period then ended in conformity with 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 the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Commodity Futures Trading Commission. 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.

*Ryan & Juraska*

Chicago, Illinois  
March 14, 2005

**INTEGRATED BROKERAGE  
SERVICES, INC.**

Statement of  
Financial Condition

December 31, 2004

53 West Jackson Boulevard  
Suite 450  
Chicago, Illinois 60604  
312 / 582.6700

**INTEGRATED BROKERAGE  
SERVICES, INC.  
NOTES TO FINANCIAL STATEMENT**

December 31, 2004

**1. Organization**

INTEGRATED BROKERAGE SERVICES, INC. (Company) was incorporated on August 1, 1991 in the State of Illinois. The Company is registered with the Commodity Futures Trading Commission (the CFTC) as a futures commission merchant (FCM) and is a member of the National Futures Association (the NFA). The Company is engaged in soliciting and accepting orders for the purchase or sale of commodity futures contracts or commodity options. The Company carries customer positions on its books and uses other FCM's to execute and clear associated trades and positions.

Effective January 1, 2005, the Company converted from a corporation to a limited liability company.

**2. Capital stock**

	Authorized	Shares		\$
		Issued /	Outstanding	
Class A – no par, voting	1,000	183	183	17,050
Class B – no par, non-voting	150,000	116,042	115,042	1,250,418
Class B – treasury		(1,000)		(100,000)

**3. Summary of Significant Accounting Policies**

a. Revenue Recognition

Commissions, revenue and related expenses on commodity and options on commodity futures contracts are recorded on the trade date.

b. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Management determines that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

**4. Related party transactions**

The Company owns one unit or 15.94% of Alliance Financial LLC. Alliance Financial LLC owns 114,986 common class B shares of the Company.

**5. Subordinated borrowings**

The Company has \$313,222 in borrowings subordinated to the claims of the general creditors.

Subordinated loan agreements, with an initial 3-year term, amount to \$166,499, including accrued interest that ranges from 5.00% to 10.15% per annum. By agreement, interest is not paid but increases the amount of the subordinated borrowings. The notes have been amended to state that requests for payment must be given at least 365 days in advance.

Secured demand notes amount to \$146,723 and accrue interest in a range from 5.00% to 10.15% per annum with the same covenants as the subordinated loan agreements. The market value of pledged collateral for these notes is in excess of the notes at December 31, 2004.

These subordinated loans consist of the following as of December 31, 2004:

These subordinated loans consist of the following as of December 31, 2004:

Loans due to stockholders, qualifies as equity	\$ 166,499
Secured demand notes, qualifies as equity	<u>135,516</u>
Secured demand notes due to general creditors with collateral agreement, not qualify as equity	<u>11,207</u>
Total	<u>\$ 313,222</u>

**6. Minimum capital requirements**

The Company is subject to the minimum capital requirements pursuant to the regulations under the Commodity Exchange Act, as amended. At December 31, 2004 the net capital and excess net was \$1,137,141 and \$887,141, respectively. Management has no plans to withdraw funds that would render the company deficient of the required capital requirement.

**7. Income Taxes**

The Company has a federal tax loss carry forward of approximately \$10,000. As of January 1, 2005, the Company converted from a corporation to a limited liability company and therefore will not be able to utilize such loss in the future.

The Company has elected to be taxed as a limited liability company under the partnership tax provisions of the Internal Revenue Code. Under those provisions, the company is not liable for federal income taxes on its taxable income. Instead, the members are liable for individual income taxes on their share of the Company's taxable income.