

INTEGRATED BROKERAGE SERVICES, LLC
STATEMENT OF FINANCIAL CONDITION
as of December 31, 2006
U.S. Dollars

ASSETS	
Current Assets	
Cash and Securities	538,579
Segregated Funds	823,707
Due From Brokers	1,057,739
Other	<u>553,222</u>
Total Current Assets	2,973,247
Secured Demand Note Collateral	50,000
Other Receivables	
and Non-Current Assets	<u>457,503</u>
Total Non-Current Assets	507,503
Total Assets	<u><u>3,480,780</u></u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Current Liabilities	
Equities in Commodity Accounts	1,263,611
Other Payables	<u>92,397</u>
Total Current Liabilities	1,356,008
Subordinated Debt	237,724
Total Ownership Equity	<u><u>1,887,018</u></u>
Total Liabilities & Ownership Equity	<u><u>3,480,750</u></u>

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

REPORT INDEPENDENT AUDITORS' REPORT

To the Members of

INTEGRATED BROKERAGE SERVICES, LLC

We have audited the accompanying statement of financial condition of Integrated Brokerage Services, LLC as of December 31, 2006 and the related statements of income, changes in members' 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. 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 Integrated Brokerage Services, LLC as of December 31, 2006 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 27, 2007

**INTEGRATED BROKERAGE
SERVICES, LLC**

**Statement of
Financial Condition**

December 31, 2006

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

INTEGRATED BROKERAGE SERVICES, LLC

NOTES TO FINANCIAL STATEMENT

December 31, 2006

1. Organization

INTEGRATED BROKERAGE SERVICES, LLC (Company) was incorporated on August 1, 1991 in the State of Illinois. Effective January 1, 2005, the Company converted from a corporation to a limited liability company. 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 and act as a principal foreign exchange dealer. The Company carries customer positions on its books and uses other FCM's to execute and clear associated trades and positions. The Company self clears all foreign exchange transactions is enters into.

2. 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.

c. Internally Developed Software

The company adheres to the Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Accordingly, internal and external costs, including interest expense, incurred to develop internal-use computer software during the application development stage are capitalized. These costs are amortized after implementation of the programs on a straight-line basis over a ten year period.

3. Related party transactions

The Company owns one unit or 15.94% of Alliance Financial LLC and Alliance Financial LLC is a member of the Company. The Company owns one unit of IBS Securities LLC and IBS Securities is a member of the Company. The Company is a member in Integrated Trading Systems, LLC.

4. Subordinated borrowings

The Company has \$237,724 in borrowings subordinated to the claims of the general creditors.

Subordinated loan agreements, with an initial 3-year term, amount to \$71,849, 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 \$165,875 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, 2006.

These subordinated loans consist of the following as of December 31, 2006:

Loans due to members, qualifies as equity	\$ 71,849
Secured demand notes, qualifies as equity	<u>165,875</u>
Total	<u>\$ 237,724</u>

5. 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, 2006 the net capital and excess net capital was \$1,666,357 and \$666,357, respectively. Management has no plans to withdraw funds that would render the company deficient of the required capital requirement.

6. Income Taxes

The Company is a limited liability company, and is taxed 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.

7. Concentration of Credit Risk

At December 31, 2006, a significant credit concentration consisted of cash deposited in two banks. The balances exceeded federally insured limits by approximately \$652,038 which represents approximately 35% of the Company's equity. The Company has not experienced any losses in such accounts. Management believes that the Company is not exposed to any significant credit risk on cash.