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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-36696

**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 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Gelber Securities, LLC

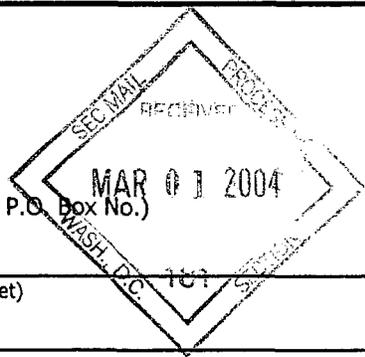
OFFICIAL USE ONLY
FIRM ID NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

141 West Jackson Blvd

(No. and Street)

Chicago IL 60604  
(City) (State) (Zip Code)



NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Frank Gelber

(312) 427-7100

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Altschuler, Melvoin and Glasser LLP

(Name - if individual, state last, first, middle name)

One South Wacker Drive Chicago IL 60606-3392  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions

PROCESSED  
MAR 29 2004

THOMSON  
FINANCIAL

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\*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).

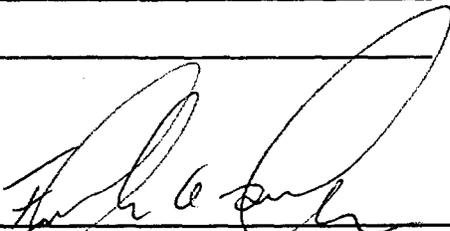
Potential Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a current valid OMB control number.

**OATH OR AFFIRMATION**

I, Frank Gelber, affirm that, to the best of my knowledge and belief the accompanying statement of financial condition pertaining to the firm of Gelber Securities, LLC, as of December 31, 2003, is true and correct. I further 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.

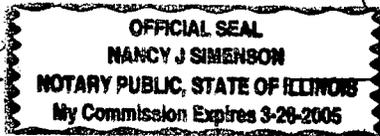
\_\_\_\_\_  
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Sworn and subscribed to me on the  
19th day of February, 2004

  
\_\_\_\_\_

Signature

  
\_\_\_\_\_  
Notary Public



\_\_\_\_\_  
President  
Title

This report\*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 Statement 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.
- (o) Independent Auditors' Report on Internal Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see Section 240.17a-5(e)(3).

# **Gelber Securities, LLC**

## **Statement of Financial Condition**

**December 31, 2003**

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Filed Pursuant to Rule 17a-5(d) Under the Securities  
Exchange Act of 1934

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**Altschuler, Melvoin and Glasser LLP**  
Certified Public Accountants and Consultants

**Gelber Securities, LLC**  
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**December 31, 2003**

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**Altschuler, Melvoin and Glasser LLP**

Certified Public Accountants and Consultants

## **Independent Auditors' Report**

Members of  
Gelber Securities, LLC

We have audited the accompanying statement of financial condition of Gelber Securities, LLC as of December 31, 2003, that you are filing pursuant to Rule 17a-5 of the Securities and Exchange Commission. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of Gelber Securities, LLC as of December 31, 2003 in conformity with U.S. generally accepted accounting principles.

*Altschuler, Melvoin and Glasser LLP*

Chicago, Illinois  
February 17, 2004

**Gelber Securities, LLC**  
**Statement of Financial Condition**  
**December 31, 2003**

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**Assets**

Cash	\$ 296,057
Cash segregated under federal regulations	2,111,410
Securities purchased under agreements to resell	31,560,715
Receivables	
Clearing brokers	1,486,327
Others	747,648
Securities owned, pledged	2,497,376
Investments in limited partnerships and limited liability companies	5,490,730
Exchange membership (market value \$555,000)	317,900
Other assets	<u>279,155</u>
<b>Total assets</b>	<b><u>\$ 44,787,318</u></b>

**Liabilities and Members' Equity**

Liabilities	
Payable to clearing brokers	\$ 10,165,405
Payable to traders	2,142,476
Accounts payable and accrued expenses	<u>901,332</u>
Total	<u>13,209,213</u>
Members' equity	<u>31,578,105</u>
<b>Total liabilities and members' equity</b>	<b><u>\$ 44,787,318</u></b>

# Gelber Securities, LLC

## Notes to the Statement of Financial Condition December 31, 2003

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### Note 1 Nature of Operations and Significant Accounting Policies

**Nature of Operations**—Gelber Securities, LLC (the "Company"), is a registered securities broker-dealer and a notice registered futures commission merchant. Gelber Group, LLC (the "Managing Member"), a registered futures commission merchant, controls the day-to-day operations, business, and affairs of the Company, including distributions and admittance of new members.

The Company enters into proprietary transactions, primarily U.S. Government securities, futures and options on futures, and clears all transactions through other broker-dealers and the Managing Member. The Company also provides brokerage services to professional traders located in the United States and clears all customer transactions either on an omnibus or fully disclosed basis through other brokers.

Proprietary traders that are members share in net income based primarily on the results of their trading activities. Proprietary traders that are not members participate in the net trading revenue generated from their trading activities.

**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 accompanying notes. Actual results could differ from those estimates.

**Cash Segregated Under Federal Regulations**—Cash segregated under federal regulations represents amounts segregated in a special reserve bank account for the exclusive benefit of customers pursuant to Rule 15c3-3 under the Securities Exchange Act.

**Securities and Commodities Transactions**—Securities and commodities transactions are recorded on trade date and carried at market value. Unrealized gains or losses are included in revenue.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded as a net payable of \$10,041,909 in payable to clearing brokers on the statement of financial condition.

Commissions earned and related expenses on securities transactions are recorded on trade date.

**Resale and Repurchase Agreements**—Securities purchased under agreements to resell (reverse repurchase or resale agreements) and securities sold under agreements to repurchase (repurchase agreements) are accounted for as collateralized financing transactions and are carried at the amounts at which the securities will subsequently be resold or reacquired as specified in the respective agreements; such amounts include accrued interest. It is the policy of the Company to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral as appropriate.

# **Gelber Securities, LLC**

## **Notes to the Statement of Financial Condition December 31, 2003**

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### **Note 1 Nature of Operations and Significant Accounting Policies, *Continued***

**Investments in Limited Partnerships and Limited Liability Companies**—Investments in limited partnerships and limited liability companies are carried at estimated fair value based on market values of underlying investments or as determined in good faith by management in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, management's estimate of values of these investments may differ significantly from the values that would have been used had a ready market existed for these investments.

**Income Taxes**—The Company is taxed as a partnership under the provisions of the Internal Revenue Code and, accordingly, is not subject to federal corporate income taxes. Instead, members are liable for federal income taxes on their respective share of taxable income.

**Translation of Foreign Currencies**—Assets and liabilities denominated in foreign currencies are translated using year-end exchange rates. Translation gains and losses are included in net income.

**Statement of Cash Flows**—For purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than 90 days, that are not held for sale in the ordinary course of business.

### **Note 2 Fair Value of Financial Instruments**

Substantially all of the Company's assets and liabilities are considered financial instruments and are either already reflected at fair value or are short-term or replaceable on demand. Therefore, their carrying amounts approximate their fair values.

### **Note 3 Securities Purchased Under Agreements to Resell**

Securities purchased under agreements to resell represent the simultaneous purchase and resale of U.S. Government obligations with same day settlement on the purchase and next day settlement on the resale. The Company has obtained collateral under these agreements with a fair value substantially equal to the carrying value that the Company is permitted by contract or custom, to repledge or sell.

### **Note 4 Securities Owned**

Securities owned at December 31, 2003 consist of U.S. Government obligations on deposit with clearing brokers.

### **Note 5 Members' Equity**

All members have units or fractional units that entitle them to, among other things, pro rata voting rights. At December 31, 2003, the Managing Member owns 90 percent of the Company's units.

Contributed capital may not be redeemed by a member for one year and one day after the date of contribution.

**Gelber Securities, LLC**  
**Notes to the Statement of Financial Condition**  
**December 31, 2003**

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**Note 6 Related-Party Transactions**

The Company clears its commodities transactions through the Managing Member. At December 31, 2003, payable to clearing brokers includes \$118,478 due to the Managing Member.

The Managing Member provides clearing services, administrative support, and office space to the Company. Also, the Company's employees and traders participate in a salary reduction 401(k) plan administered by the Managing Member. Receivable from others at December 31, 2003 includes \$490,058 due from the Managing Member.

The Company provides brokerage services to non-managing members.

**Note 7 Commitments and Contingencies**

The Company is obligated to purchase certain brokerage and execution services from a broker-dealer at a fixed price of \$750,000 per quarter plus certain transaction fees through March 31, 2005.

The Company did not file risk assessment information for certain prior periods as required by one of its regulators. Information required for the period ended December 31, 2003 has been timely filed. In the opinion of management, this matter will not have a material effect upon the financial condition or results of operations of the Company.

**Note 8 Financial Instruments**

**Proprietary Trading Activities**—In connection with its proprietary trading activities, the Company enters into transactions in a variety of cash and derivative financial instruments, including futures and options. Futures contracts provide for the delayed delivery or purchase of financial instruments at a specified future date at a specified price or yield. An option contract conveys to the purchaser the right, but not the obligation, to buy or sell a financial instrument or commodity at a predetermined rate or price at a time in the future. These financial instruments may have market and/or credit risk in excess of the amounts recorded in the statement of financial condition.

**Market Risk**—Derivative financial instruments involve varying degrees of off-balance-sheet market risk. Changes in the market values of the underlying financial instruments may result in changes in the value of the financial instruments in excess of the amounts reflected in the statement of financial condition. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the Company's proprietary positions, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of derivative financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Company's overall exposure to market risk. The Company attempts to manage its exposure to market risk arising from the use of these financial instruments through various analytical monitoring techniques.

**Gelber Securities, LLC**  
**Notes to the Statement of Financial Condition**  
**December 31, 2003**

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**Note 8 Financial Instruments, Continued**

**Credit Risk**—Credit risk arises from the potential inability of counterparties to perform in accordance with the terms of the contract. The Company's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Company has a gain. Exchange traded financial instruments, such as futures and options, generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of the individual exchanges. Also, the Company has entered into certain master netting agreements that provide for net settlement of certain transactions.

**Customer Activities**—In the normal course of business, the Company's customer activities involve the execution, settlement and financing of customer securities transactions, which are cleared either on an omnibus or fully disclosed basis through other brokers. The Company could be exposed to off-balance-sheet risk should either the customer or the broker fail to fulfill its contracted obligation, and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

Customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company or broker extends credit to customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company or broker executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Customer transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary. In the event a customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations.

**Concentration of Credit Risk**—The Company enters into various transactions with broker-dealers and other financial institutions. Cash and derivative financial instruments on deposit with counterparties may serve to collateralize amounts due and may serve to satisfy margin requirements. In the event these counterparties do not fulfill their obligations, the Company may be exposed to risk. This risk of default depends on the creditworthiness of the counterparties to these transactions. It is the Company's policy to monitor the creditworthiness of each counterparty with which it conducts business.

**Note 9 Net Capital Requirements**

The Company is a broker-dealer subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under this rule, the Company is required to maintain minimum "net capital" equal to \$250,000 or 6-2/3 percent of "aggregate indebtedness," whichever is greater, as these terms are defined. Net capital changes from day to day, but at December 31, 2003, the Company had net capital and net capital requirements of approximately \$24,501,000 and \$250,000, respectively. The net capital rule may effectively restrict the withdrawal of capital.