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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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PART III

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

AB  
2/27

REPORT FOR THE PERIOD BEGINNING 01/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Investment Bank Services, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY  
FIRM I.D. NO:

6200 Dutchman's Lane, Suite 305

(No. and Street)

Louisville

Kentucky

40205

(City)

(State)

(Zip Code)

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

Christopher L. Hargrove

502-451-6633

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Chilton & Medley, PLC

462 South Fourth Street  
2500 Meidinger Tower

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

(Address)

Louisville

Kentucky

40202

(City)

(State)

(Zip Code)

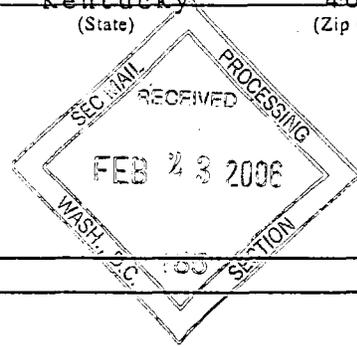
CHECK ONE:

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

PROCESSED

MAR 13 2006

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)

Handwritten signature and date 3/1/06

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 currently valid OMB control number.

**Investment Bank Services, Inc.**  
**(a wholly-owned subsidiary of**  
**Professional Bank Services, Inc.)**

**Financial Statements**

**Years Ended December 31, 2005 and 2004**



**Investment Bank Services, Inc.**

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## Independent Auditors' Report on Financial Statements

To the Board of Directors  
Investment Bank Services, Inc.

We have audited the accompanying balance sheets of Investment Bank Services, Inc. (a Kentucky corporation and wholly-owned subsidiary of Professional Bank Services, Inc.) as of December 31, 2005 and 2004, and the related statements of operations, stockholder's equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Investment Bank Services, Inc. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



CHILTON & MEDLEY PLC  
Louisville, Kentucky  
January 24, 2006

Investment Bank Services, Inc.  
 Balance Sheets  
 December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 42,136	\$ 43,646
Account receivable	160,899	-
Prepaid expenses	<u>353</u>	<u>342</u>
Total Current Assets	203,388	43,988
Investment in Closely-held Entity	<u>14,250</u>	<u>14,250</u>
Total Assets	<u>\$ 217,638</u>	<u>\$ 58,238</u>
<b>Liabilities and Stockholder's Equity</b>		
Current Liabilities		
Account payable - related party	<u>\$ 156,000</u>	<u>\$ -</u>
Total Current Liabilities	156,000	-
Commitments and Contingencies		
Stockholder's Equity		
Common stock, \$.01 par value, 100 shares authorized, issued and outstanding	1	1
Additional paid-in capital	55,999	55,999
Retained earnings	<u>5,638</u>	<u>2,238</u>
	<u>61,638</u>	<u>58,238</u>
Total Liabilities and Stockholder's Equity	<u>\$ 217,638</u>	<u>\$ 58,238</u>

The accompanying notes are an integral part of these financial statements.

Investment Bank Services, Inc.  
Statements of Operations  
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues	\$ 668,659	\$ 627,866
Expenses		
Consultant fees to related party	655,700	621,760
Accounting fees	3,000	3,120
Filing fees	4,757	4,239
Insurance	460	475
Taxes and licenses	1,322	1,230
Miscellaneous	20	30
	<u>665,259</u>	<u>630,854</u>
Net Income (Loss)	<u>\$ 3,400</u>	<u>\$ (2,988)</u>

The accompanying notes are an integral part of these financial statements.

Investment Bank Services, Inc.  
**Statements of Stockholder's Equity**  
**Years Ended December 31, 2005 and 2004**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Number of Shares	Amount			
Balance at December 31, 2003	100	\$ 1	\$ 55,999	\$ 5,226	\$ 61,226
Net loss for year	-	-	-	(2,988)	(2,988)
Balance at December 31, 2004	100	1	55,999	2,238	58,238
Net income for year	-	-	-	3,400	3,400
Balance at December 31, 2005	<u>100</u>	<u>\$ 1</u>	<u>\$ 55,999</u>	<u>\$ 5,638</u>	<u>\$ 61,638</u>

The accompanying notes are an integral part of these financial statements.

Investment Bank Services, Inc.  
 Statements of Cash Flows  
 Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ 3,400	\$ (2,988)
Adjustments to reconcile income (loss) to net cash used by operating activities:		
Changes in:		
Account receivable	(160,899)	-
Prepaid expenses	(11)	18
Account payable - related party	156,000	-
	<u>(1,510)</u>	<u>(2,970)</u>
Net Cash Used by Operating Activities		
	(1,510)	(2,970)
Decrease in Cash		
	43,646	46,616
Cash at Beginning of Year		
	<u>\$ 42,136</u>	<u>\$ 43,646</u>
Cash at End of Year		

The accompanying notes are an integral part of these financial statements.

**Investment Bank Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2005 and 2004**

**Note A - Nature of Organization and Operations**

Investment Bank Services, Inc. ("the Company"), a Kentucky S-corporation located in Louisville, Kentucky, is a wholly-owned subsidiary of Professional Bank Services, Inc. ("the Parent Company"). The Company is registered as a securities broker/dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The Company is primarily engaged in providing advice regarding the purchase and sale of financial institutions to investors, assisting thrift institutions in converting from a mutual to a stock form of ownership, and assisting financial institutions in raising new capital for multiple purposes.

**Note B - Summary of Significant Accounting Policies**

1. Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.
2. Receivable: The receivable results from an amount due the Company from a client engagement that closed on December 27, 2005. Funds were received on January 3, 2006. The Company invoices clients at the closing of a deal and invoices are due upon receipt. Credit is based on the creditworthiness of the client and receivables are unsecured. The Company considers accounts to be past due if not paid within ten days. Accounts are written off based on individual credit evaluation and specific circumstances. No provision for bad debts was made at December 31, 2005.
3. Investments: The non-current investment consists of a less than 1% common stock ownership in a non-publicly traded company. The investment was originally recognized at cost, the fair value at purchase, and is carried at cost subject to nontemporary impairment.
4. Revenue and Cost Recognition: Revenue associated with the sale or conversion of financial institutions is recognized at the time the transaction is completed and the income is reasonably determined. Contingent expenses associated with activities, such as consultant fees and certain legal fees, are recognized concurrently with the revenues.

Revenue from consulting is generally recognized when the related service has been performed by the Company. Other operating expenses are accounted for on the accrual basis of accounting.

**Investment Bank Services, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2005 and 2004**

**Note B - Summary of Significant Accounting Policies (Continued)**

5. Income Taxes: Effective April 1, 2003, the Company's parent, with the consent of its stockholders, elected under the Internal Revenue Code to be an S corporation. In conjunction with this election, the Company elected to become a Qualified Subchapter S Subsidiary. In lieu of corporation income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability or benefit for income taxes has been included in the accompanying financial statements. In regard to the Company, determination of income for income tax purpose does not differ materially from accounting principles generally accepted in the United States.

**Note C - Investment in Closely-held Entity**

In October 2002, the Company acquired a less than 20% investment in a non-publicly traded company. The investment is stated at its original purchase price of \$14,250 at December 31, 2005 and 2004. The Company has determined that the investment is not impaired as of December 31, 2005 or 2004.

**Note D - Related Party Transactions**

The Company and its parent, Professional Bank Services, Inc., engage in various related party transactions in the normal course of business. Many of the customers of the Company are also customers of the Parent Company. The distinction lies in the nature of the services provided by the Company and the Parent Company. The Parent Company generally provides on-going consulting and professional services to these customers, while the Company is involved primarily in negotiating merger and acquisition agreements, providing advice regarding the purchase or sale of financial institutions, and raising new capital.

The Company has no employees of its own, but generally contracts with the Parent Company under a consultant arrangement to provide the resources to staff its engagement needs. The consulting fees are judgmentally established by the Parent Company. Consultant fee expense to the Parent Company under this arrangement was \$655,700 and \$621,760 during the years ended December 31, 2005 and 2004, respectively.

The Parent Company provides administrative and related services to the Company.

**Note E - Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum "net capital," as defined by the rule. At December 31, 2005 and 2004, the Company has net capital of \$47,035 and \$43,646, respectively, which is in excess of the minimum requirement for the Company of \$5,000.

**Investment Bank Services, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2005 and 2004**

**Note F - Concentrations of Risk**

At December 31, 2005, 100% of the amount receivable in the accompanying balance sheet relates to one engagement. This amount was collected on January 3, 2006. Three engagements represented 99% of total revenues for 2005. Three engagements represented 95% of total revenues for the year ended December 31, 2004.

Additionally, the Company is dependent on the Parent Company for administrative support and staffing for engagements.

**Independent Auditors' Report on Supplementary Information  
Required by Rule 17a-5 of the Securities and Exchange Commission**

To the Board of Directors  
Investment Bank Services, Inc.

We have audited the accompanying financial statements of Investment Bank Services, Inc. (a wholly-owned subsidiary of Professional Bank Services, Inc.) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 24, 2006. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1, 2 and 3 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 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.



CHILTON & MEDLEY PLC  
Louisville, Kentucky  
January 24, 2006

**Supplementary Information  
Required by Rule 17a-5 of  
the Securities and Exchange Commission**



Investment Bank Services, Inc.  
Schedules of Computation of Net Capital Under  
Rule 15c3-1 of the Securities and Exchange Commission  
Years Ended December 31, 2005 and 2004

Schedule 1

	<u>2005</u>	<u>2004</u>
Net Capital		
Total Stockholder's Equity	\$ 61,638	\$ 58,238
Non-Allowable Assets		
Prepaid expenses	(353)	(342)
Investment in Closely-held Entity	<u>(14,250)</u>	<u>(14,250)</u>
	<u>(14,603)</u>	<u>(14,592)</u>
Net Capital	<u>\$ 47,035</u>	<u>\$ 43,646</u>

There are no differences between net capital as reported above for the years ended December 31, 2005 and 2004, and those amounts included on the Company's computation included in Part IIA of Form X-17A-5, as of December 31, 2005 and 2004.

See independent auditors' report on supplementary information required by Rule 17a-5 of the Securities and Exchange Commission.

Investment Bank Services, Inc.  
Computation for Determination of Reserve Requirements  
Rule 15c3-3 of the Securities and Exchange Commission  
Years Ended December 31, 2005 and 2004

Schedule 2

	<u>2005</u>	<u>2004</u>
Total Credit Items	\$ -	\$ -
Total Debit Items	<u>-</u>	<u>-</u>
Excess of Total Debits Over Total Credits	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report on supplementary information required by Rule 17a-5 of the Securities and Exchange Commission.

**Investment Bank Services, Inc.**  
**Information Relating to Possession or Control Requirements**  
**Under Rule 15c3-3 of the Securities and Exchange Commission**  
**December 31, 2005 and 2004**

**Schedule 3**

Because of the following, the Company is exempt from Rule 15c3-3 under the provisions of Section (k)(1):

- The Company is not an insurance company of any type and the Company does not have any transactions with registered investment companies. The Company does not have any dealer transactions (Section (k)(1)(i)).
- The Company's transactions as a broker (agent) are limited to the solicitation of share accounts for savings and loan associations insured by an instrumentality of the United States (Section (k)(1)(ii)).
- All funds and securities are promptly transmitted / delivered; no funds or securities are held and no money or securities are owed to customers (Section (k)(1)(iii)).
- The Company is not an insurance company of any type. (Section (k)(1)(iv)).

See independent auditors' report on supplementary information required by Rule 17a-5 of the Securities and Exchange Commission.

**Independent Auditor's Report on Internal Accounting  
Controls Required by SEC Rule 17a-5**

To the Board of Directors  
Investment Bank Services, Inc.

In planning and performing our audits of the financial statements of Investment Bank Services, Inc. ("the Company"), for the years ended December 31, 2005 and 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3

## **Independent Auditor's Report on Internal Accounting Controls Required by SEC Rule 17a-5 (Continued)**

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005, to meet the SEC's objectives.

**Independent Auditor's Report on Internal Accounting  
Controls Required by SEC Rule 17a-5 (Continued)**

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



CHILTON & MEDLEY PLC  
Louisville, Kentucky  
January 24, 2006