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

SEC FILE NUMBER
8- 52515

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 JANUARY 1, 2006 AND ENDING DECEMBER 31, 2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **MTS SECURITIES, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

**623 FIFTH AVENUE, 15TH FLOOR**

(No. and Street)

**NEW YORK**

(City)

**NY**

(State)

**10022**

(Zip Code)

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

**GURTIS LANE**

**212-887-2113**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**MARCUM & KLIEGMAN LLP**

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

**655 THIRD AVENUE, 16TH FLOOR**

(Address)

**NEW YORK, NY**

(State)

**10017**

(Zip Code)

**PROCESSED**

**MAR 05 2007** B

**THOMSON FINANCIAL**

CHECK ONE:

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

SECURITIES AND EXCHANGE COMMISSION <b>RECEIVED</b> FEB 26 2007 BRANCH OF REGISTRATIONS AND 02 EXAMINATIONS
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**FOR OFFICIAL USE ONLY**

\*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)

SEC 1410 (06-02)

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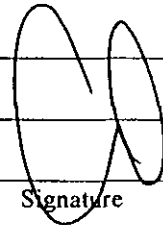
AB\*  
3/1

19  
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OATH OR AFFIRMATION

I, CURTIS LANE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MTS SECURITIES, LLC, as of DECEMBER 31, 2006, are true and correct. I further swear (or 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, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature

**MICHELLE FALLON**  
Notary Public, State of New York  
No. 01FA5034522  
Qualified in Bronx County  
Commission Expires October 11, 2010

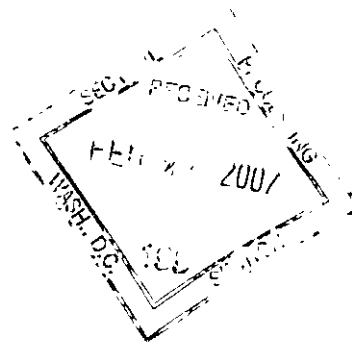
  
Notary Public

DESIGNATED PRINCIPAL  
Title

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' 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 Statements 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.

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



MTS SECURITIES, LLC  
STATEMENT OF FINANCIAL CONDITION  
December 31, 2006

# MTS SECURITIES, LLC

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# Marcum & Kliegman LLP

Certified Public Accountants & Consultants

A Limited Liability Partnership Consisting of Professional Corporations

## INDEPENDENT AUDITORS' REPORT

To the Member of  
MTS Securities, LLC

We have audited the accompanying statement of financial condition of MTS Securities, LLC (the "Company") as of December 31, 2006 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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 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 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 financial statement referred to above presents fairly, in all material respects, the financial position of MTS Securities, LLC at December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

*Marcum & Kliegman LLP*

New York, New York  
February 13, 2007

# MTS SECURITIES, LLC

## STATEMENT OF FINANCIAL CONDITION

December 31, 2006

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### ASSETS

Cash	\$	237,708
Advisory and consulting fees receivable		3,000,000
Deposit		<u>1,790</u>

TOTAL ASSETS \$ 3,239,498

### LIABILITIES AND MEMBER'S EQUITY

#### LIABILITIES

Due to Parent	\$	25,031
Deferred tax liability		<u>120,000</u>

TOTAL LIABILITIES \$ 145,031

MEMBER'S EQUITY 3,094,467

TOTAL LIABILITIES AND MEMBER'S EQUITY \$ 3,239,498

*The accompanying notes are an integral part of this financial statement.*

# MTS SECURITIES, LLC

## NOTES TO FINANCIAL STATEMENT

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### NOTE 1 - Nature of Business

MTS Securities, LLC (the "Company") was organized on August 10, 2001 as a Delaware limited liability company for the purpose of providing financial consulting services, including financial valuation and modeling, preparation of financial and marketing materials, financial structuring and strategic consulting. The Company is a wholly-owned subsidiary of MTS Health Partners, L.P. (the "Parent").

On July 14, 2003, the Company obtained National Association of Securities Dealers ("NASD") registered broker and dealer status and is exempt from Securities and Exchange Commission ("SEC") Rule 15c3-3 pursuant to (k)(2)(i) of that Rule.

### NOTE 2 - Summary of Significant Accounting Principles

#### Income Taxes

The Company is a Delaware LLC and files consolidated federal, state and local tax returns with the Parent on a cash basis. The members of an LLC are taxed on their proportionate share of the Company's federal and state taxable income. Accordingly, no liability for federal or state income taxes has been included in the financial statement. The amount Due to Parent and the deferred tax liability within this financial statement represents the Company's share of the consolidated group's New York City Unincorporated Business Tax ("NYCUBT"). The NYCUBT is calculated as if the companies filed on a separate return basis and will be payable to the Parent.

The Company recognizes deferred tax assets or liabilities for the future tax consequences of events that have been recognized in their financial statement or income tax returns. The accompanying financial statement has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Company prepares its tax returns on a cash basis. Accordingly, the Company records deferred tax assets or liabilities for the increase or decrease in future years' tax liabilities related to the temporary differences which arise by utilizing these two accounting methods.

#### Use of Estimates in the Financial Statement

The preparation of a financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

#### Cash Concentration

The Company maintains cash with a major financial institution. Cash is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000 at each institution. At times such amount may exceed the FDIC insured limits.

# MTS SECURITIES, LLC

## NOTES TO FINANCIAL STATEMENT

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### NOTE 3 - Advisory and Consulting Fees Receivable

During 2006, the Company entered into three agreements with two clients to provide financial advisory services in connection with proposed business acquisitions, including analysis, planning, structuring, negotiation, execution and various other advisory services. As of December 31, 2006, the agreements were consummated and the remaining receivable amount of \$3,000,000 was recorded. The receivable was collected in full during January 2007.

### NOTE 4 - Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. On February 23, 2006, the Company filed a notice pursuant to SEC Rule 17a-11(b) which indicated to the SEC that the NASD had stated that the Company failed to maintain minimum net capital during the time period from December 22, 2005 through January 4, 2006. Based upon the NASD's computation, the Company would have a net capital deficiency of \$29,927,557 during that time period. At December 31, 2005, the Company's net capital deficiency of \$27,943,968 was \$29,810,722 below its required net capital of \$1,866,754 resulting in a net capital deficiency at 1,000% of \$30,744,098. The Company's net capital ratio was (1.00) to 1 at December 31, 2005. The Company regained compliance with its net capital requirement upon the collection of an advisory and consulting fee receivable of \$29,861,337 on January 4, 2006.

At December 31, 2006, the Company had net capital of \$212,677, which exceeded required net capital of \$5,000 by \$207,677. The Company's net capital ratio was .12 to 1 at December 31, 2006.

### NOTE 5 - Related Party Transactions

Effective January 1, 2006, the Company amended the Services Agreement originally entered into with the Parent on December 1, 2003, under which the Parent provides various administrative services and bears certain administrative and professional fees incurred by the Company in the ordinary course of business in exchange for receiving a base service fee (the "base service fee") of \$6,000 per month. As of January 1, 2006, the Company has executed a revised Services Agreement with the Parent which eliminates the proportional service fees that were based on the Company's revenues so that no amount will be payable to the Parent when the Company is awarded a success fee from a client.



# MTS SECURITIES, LLC

## NOTES TO FINANCIAL STATEMENT

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### NOTE 6 - Income Taxes

The deferred tax liability of \$120,000 at December 31, 2006 relates to the advisory and consulting fee receivable.

The current tax liability of \$25,031 at December 31, 2006 is due to the Parent.

### NOTE 7 - Subsequent Events

On January 31, 2007, the Company distributed \$2,900,000 to the Parent.

*END*