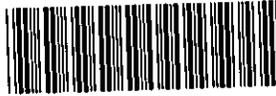


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ANNUAL AUDITED REPORT
FORM X-17A-5
PART-III

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SEC FILE NUMBER
8-23936

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 1/1/06 AND ENDING 12/31/06
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The GMS Group, L.L.C.

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

5 North Regent Street - Suite 513

Livingston

(No. and Street)

NJ

(City)

(State)

07039

(Zip Code)

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

Mr. Jerry Korn

(973) 548-2584

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Weiser LLP

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

3000 Marcus Avenue

Lake Success

NY

11042-1066

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
 MAR 23 2007
 THOMSON
 FINANCIAL

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)

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.

SEC 1410 (06-02)

AB
 3/22

OATH OR AFFIRMATION

I Paul Konsig and Jerry Korn, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The GMS Group, L.L.C., 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 [Handwritten Signature]
CEO
Title

Signature [Handwritten Signature]
CFO
Title

SANDRA L. BIVERA
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires June 11, 2009
I.D.# 2301497

[Handwritten Signature]
Notary Public

NOTARY PUBLIC
STATE OF FLORIDA
D. K. ALVEY
MY COMMISSION # DD 492079
EXPIRES: January 8, 2010
Bonded Thru Budget Notary Services

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income.
(d) Statement of Cash Flows.
(e) Statement of Changes in Member'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 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.
(o) Independent Auditors' Report on Internal Accounting Control.

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

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
FEB 27 2007
DIVISION OF MARKET REGULATION

The GMS Group, LLC

Statement of Financial Condition

December 31, 2006

The GMS Group, LLC

(A Wholly Owned Subsidiary of GMS Group Holdings Corp.)

Statement of Financial Condition

December 31, 2006

Assets

Cash	\$ 360,070
Securities owned at market value	83,253,401
Interest receivable	1,467,029
Loans receivable	2,225,781
Notes receivable	339,552
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$670,481	544,618
Due from member	1,899
Employee advances	269,473
Prepaid expenses	439,911
Other assets	534,946

Total assets \$ 89,436,680

Liabilities and Member's Equity

Liabilities

Payable to clearing broker	\$ 50,836,588
Securities sold, not yet purchased, at market value	7,429,658
Accrued compensation	1,958,713
Accounts payable and other liabilities	2,284,436
Total liabilities	<u>62,509,395</u>

Commitments and Contingencies

Member's equity 26,927,285

Total liabilities and member's equity \$ 89,436,680

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

The GMS Group, LLC
(A Wholly Owned Subsidiary of GMS Group Holdings Corp.)
Notes to Financial Statement
Year Ended December 31, 2006

1. Nature of Operations

The GMS Group, LLC (the "Company") is a wholly owned subsidiary of GMS Group Holdings Corp. ("Holdings"). The Company is a full service broker-dealer registered with the Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers, Inc., specializing primarily in buying, selling and underwriting municipal securities.

The Company clears all of its securities transactions through Pershing LLC, a BNY Securities Group Company, (the "Clearing Broker") on a fully-disclosed basis. The payable to the Clearing Broker primarily represents amounts due in connection with the financing of proprietary positions. The Clearing Broker is the primary source of short-term financing for the Company, which is collateralized by the securities inventory of the Company. The securities inventory is held and may be pledged by the Clearing Broker. The Company is responsible for payment of certain customer account debit balances, as defined in the clearance agreement.

The Company transacts its business with customers located throughout the United States of America.

2. Summary of Significant Accounting Policies

Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Securities Owned

Securities owned and securities sold, not yet purchased are recorded on a trade date basis and are carried at fair value, or at amounts that approximate fair value as determined by management.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation of furniture and equipment is computed using the straight-line basis over the estimated useful lives of the related assets which range from five to seven years. Leasehold improvements are amortized over the shorter of the lease terms or the estimated useful lives of the improvements.

The GMS Group, LLC
(A Wholly Owned Subsidiary of GMS Group Holdings Corp.)
Notes to Financial Statement
Year Ended December 31, 2006

Income Taxes

The Company is organized as a limited liability company and has elected to be disregarded as a separate entity for U.S. income tax purposes. Accordingly, no provision for federal income taxes was required in the Company financial statements for the year ended December 31, 2006. State income taxes are reported for states that do not recognize limited liability status and accordingly, a provision for state income taxes is reflected in the Company's financial statements.

3. Securities Owned and Securities Sold, Not Yet Purchased

At December 31, 2006, securities owned and securities sold, not yet purchased consist of trading securities at fair value as follows:

	<u>Owned</u>	<u>Sold, not yet purchased</u>
State and municipal obligations	\$ 66,450,264	\$ 2,457,096
U.S. Government obligations	2,066,073	1,952,690
Corporate stocks	40	-0-
Corporate and other debt	<u>14,737,024</u>	<u>3,019,872</u>
	<u>\$ 83,253,401</u>	<u>\$ 7,429,658</u>

4. Property and Equipment, Net

Property and equipment consists of the following:

Furniture	\$ 234,171
Equipment	785,478
Leasehold improvements	<u>195,450</u>
	1,215,099
Accumulated depreciation and amortization	<u>(670,481)</u>
	<u>\$ 544,618</u>

5. Notes Receivable

The Company provides financing to selected projects based on signed agreements. These notes receivable bear annual interest at rates ranging from 5% to 11%, and have various maturity dates. One of these notes in the amount of \$33,171 is with a related party. At December 31, 2006, interest accrued on these notes amounted to \$6,381 and is included in notes receivable.

The GMS Group, LLC
(A Wholly Owned Subsidiary of GMS Group Holdings Corp.)
Notes to Financial Statement
Year Ended December 31, 2006

The notes mature in each of the next five years as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2010	\$ 33,171
2011	<u>306,381</u>
	<u>\$ 339,552</u>

6. Related Party Transactions

The Company makes advances to employees with various maturities and annual interest rates. At December 31, 2006, the Company had \$269,473 of loans and advances to employees, included in other assets in the statement of financial condition.

The Company advanced funds to the Company's sole member amounting to \$1,899 at December 31, 2006. The balance due from the Company's sole member is non-interest bearing and due on demand.

The Company provides loans to certain employees who meet certain sales thresholds. The loans are due one year from date of issuance and are forgiven on the due date if the employee is currently employed by the Company, or if the employee has become disabled or has died.

7. Loans Receivable

The Company makes unsecured project loans representing architectural, engineering and related fees for project or facility enhancement and refinancing support. All but one of these loans are non-interest bearing and will be repaid from the sale or refinance of the project expected by June 1, 2007. The interest bearing loan amounting to approximately \$1.5 million bears annual interest at 8% and is due April 2008. Interest accrued on this loan amounted to \$202,160 at December 31, 2006 and is included in loans receivable.

8. Commitments and Contingencies

Litigation and Regulatory Matters

In the ordinary course of business, the Company (a) has been named as defendant or co-defendant in a number of lawsuits, including arbitration proceedings, some of which involve claims for damages in substantial or unspecified amounts and (b) is the subject of certain regulatory inquiries. Although the ultimate outcome of the foregoing lawsuits, arbitrations, and regulatory inquiries cannot be predicted with certainty, in the opinion of management, based on information provided by both in-house and outside legal counsel, the outcome of these matters are not expected to have a material adverse effect on the Company's financial condition.

The GMS Group, LLC
(A Wholly Owned Subsidiary of GMS Group Holdings Corp.)
Notes to Financial Statement
Year Ended December 31, 2006

Leases

The Company occupies office space and uses equipment under various noncancelable operating leases some of which are subject to escalation charges based on increases in real estate and other operating expenses and expire at various dates through 2016. Future annual minimum rental payments due are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2007	\$ 1,084,780
2008	868,577
2009	538,222
2010	365,747
2011	380,344
Thereafter	<u>1,159,417</u>
	<u>\$ 4,397,087</u>

9. Net Capital Requirements

The Company is subject to the Uniform Net Capital Requirements of Rule 15c3-1 of the Securities and Exchange Commission, which requires a broker-dealer to have at all times sufficient liquid assets to cover current indebtedness. In accordance with the rule, the broker-dealer is required to maintain defined minimum net capital at the greater of \$250,000 or 1/15 of aggregate indebtedness, as defined. At no time may the ratio of aggregate indebtedness to net capital exceed 15 to 1.

At December 31, 2006, the Company had net capital of \$15,348,186, which exceeded its required net capital of \$250,000 by \$15,098,186. At December 31, 2006, the Company had aggregate indebtedness of \$2,749,099. The ratio of aggregate indebtedness to net capital was .18 to 1.

10. Fair Value of Financial Instruments

Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosure About Fair Value of Financial Instruments," requires disclosures about the fair values of financial instruments for which it is practical to estimate fair value. Fair value is defined in SFAS No. 107 as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company's financial assets and liabilities are carried at fair value or are carried at amounts which approximate fair value as the market value of such items is not materially sensitive to shifts in market interest rates due to the limited term to maturity of these instruments and/or their variable interest rates. Estimates of fair value are based on relevant market information and information about such financial instruments.

The GMS Group, LLC
(A Wholly Owned Subsidiary of GMS Group Holdings Corp.)
Notes to Financial Statement
Year Ended December 31, 2006

11. Section 401(k) Plan

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all the Company's employees and provides for participants to defer salary up to maximum statutory limitations. The Company matches certain employee contributions up to 50% of the first 10% of the employee's salary deferral contributed to the plan.

12. Off-Balance-Sheet Risk and Concentration of Credit Risk

The Company clears all transactions with and for customers on a fully disclosed basis with a clearing broker and promptly transmits all customers' funds and securities to the clearing broker who carries all of the accounts of such customers. These activities may expose the Company to off-balance-sheet risk in the event that the customer and/or clearing broker is unable to fulfill its obligations. The Company does not maintain margin accounts for its customers and, therefore, there were no excess margin securities.

In the normal course of business, the Company enters into transactions in various financial instruments with off-balance-sheet risk. These financial instruments include securities sold, not yet purchased, which represent obligations of the Company to deliver specified financial instruments at contracted prices, thereby creating a liability to purchase the financial instruments in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk, as the Company's ultimate obligation may exceed the amount recognized in the accompanying statement of financial condition.

The Company's trading activities include the purchase and sale of commodities futures and option contracts. These transactions are executed at another broker and cash settlement is made on a daily basis for market movements. Accordingly, futures contracts generally do not have credit risk. The settlement of these transactions is not expected to have a material effect upon the Company's statement of financial condition.

The Company seeks to control off-balance-sheet risk by monitoring the market value of securities held in compliance with regulatory and internal guidelines.

In the normal course of business, the Company may have cash at banks in excess of federally insured limits and is exposed to the credit risk resulting from this concentration of cash.

13. Subsequent Event

During January 2007, the Company made forgivable loans to employees amounting to approximately \$1,084,000.

The Company's Statement of Financial Condition as of December 31, 2006 is available for examination at the office of the Company and at the Regional Office of the Securities and Exchange Commission.

Independent Auditor's Report

To the Members
The GMS Group, LLC

We have audited the accompanying statement of financial condition of The GMS Group, 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 The GMS Group, LLC as of December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Weiser LLP

Lake Success, N.Y.
February 23, 2007

END