



UNITED STATES  
SANDEXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8-33647

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 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Ruan Securities Corporation

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

666 Grand Avenue, 3300 Ruan Center  
(No. and Street)

Des Moines Iowa 50309  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Daniel Smith (515) 245-3869  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

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

666 Grand Avenue, Suite 2500 Des Moines Iowa 50309  
(Address) (City) (State) (Zip Code)

PROCESSED

CHECK ONE:

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

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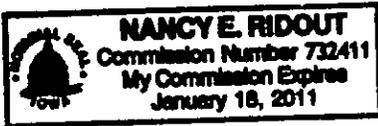
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, Daniel Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Ruan Securities Corporation, as of December 31, 2007, 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:



Daniel C Smith  
Signature  
Controller  
Title

Nancy E Ridout  
Notary Public

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).



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**RUAN SECURITIES CORPORATION**

Financial Statements and Supplementary Information

December 31, 2007

(With Independent Auditors' Report Thereon)



KPMG LLP  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

## Independent Auditors' Report

The Board of Directors  
Ruan Securities Corporation:

We have audited the accompanying statement of financial condition of Ruan Securities Corporation (the Company) as of December 31, 2007, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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. An audit includes 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Ruan Securities Corporation as of December 31, 2007, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 1 through 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.

KPMG LLP

February 26, 2008

# RUAN SECURITIES CORPORATION

## Statement of Financial Condition

December 31, 2007

<b>Assets</b>	
Cash and cash equivalents	\$ 1,343,140
Receivable from clearing firm	4,824,424
Accrued interest receivable	18,835
Accounts receivable	6,975
Marketable securities owned, at market value	1,667,625
Prepaid expenses	29,959
Property and equipment, net of accumulated depreciation of \$185,024	114,489
Risk deposit	99,529
Goodwill	1,127,420
	<u>9,232,396</u>
Total assets	\$ <u>9,232,396</u>
<b>Liabilities and Stockholders' Equity</b>	
<b>Liabilities:</b>	
Accounts payable and accrued expenses	\$ 614,410
Payable to clearing firm	1,674,017
Income taxes payable	28,063
Deferred tax liability	17,000
	<u>2,333,490</u>
Total liabilities	<u>2,333,490</u>
<b>Stockholders' equity (note 5):</b>	
Preferred stock, \$1 par. Authorized 10,000,000 shares; issued none	—
Class A common stock, \$1 par. Authorized 10,000,000 shares; issued and outstanding 1,745,000 shares	1,745,000
Class B common stock, \$1 par. Authorized 10,000,000 shares; issued none	—
Additional paid-in capital	1,153,901
Retained earnings	4,000,005
	<u>6,898,906</u>
Total stockholders' equity	<u>6,898,906</u>
	\$ <u>9,232,396</u>

See accompanying notes to financial statements.

# RUAN SECURITIES CORPORATION

## Statement of Operations

For the year ended December 31, 2007

Revenues:		
Net dealer inventory and investment gains	\$	4,200,874
Commissions		71,400
Interest on bond obligations		117,465
Bond underwriting consulting fees		207,101
Other, including taxable interest		171,135
		<u>4,767,975</u>
Expenses:		
Compensation and employee benefits (note 8)		3,518,168
Communications (note 5)		24,536
Building and office equipment rental (notes 4 and 5)		180,989
Depreciation		28,692
Dues and publications		100,372
Promotional		38,912
Clearing charges		55,843
Professional fees		20,649
Interest		289
Office supplies		12,305
Travel		52,697
Other operating expenses		146,619
		<u>4,180,071</u>
Income before income taxes		587,904
Income taxes (note 6)		158,651
Net income	\$	<u><u>429,253</u></u>

See accompanying notes to financial statements.

**RUAN SECURITIES CORPORATION**  
**Statement of Changes in Stockholders' Equity**  
**For the year ended December 31, 2007**

	<u>Preferred stock</u>	<u>Class A Common stock</u>	<u>Class B Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at December 31, 2006	\$ —	1,745,000	—	1,153,901	3,570,752	6,469,653
Net income	—	—	—	—	429,253	429,253
Balance at December 31, 2007	<u>\$ —</u>	<u>1,745,000</u>	<u>—</u>	<u>1,153,901</u>	<u>4,000,005</u>	<u>6,898,906</u>

See accompanying notes to financial statements.

**RUAN SECURITIES CORPORATION**

Statement of Cash Flows

For the year ended December 31, 2007

Cash flows from operating activities:	
Net income	\$ 429,253
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	28,692
Deferred taxes	(8,000)
Change in assets and liabilities:	
Receivable from clearing firm	1,983
Risk deposit	380
Accrued interest receivable	3,983
Accounts receivable	8,025
Marketable securities owned, net	374,648
Prepaid expenses	12,139
Income taxes payable	(43,349)
Payable to clearing firm	(389,747)
Accounts payable and accrued expenses	131,019
Cash provided by operating activities	<u>549,026</u>
Cash flows used in investing activities:	
Purchase of property and equipment	<u>(81,103)</u>
Cash used in investing activities	<u>(81,103)</u>
Net increase in cash	467,923
Cash at beginning of year	<u>875,217</u>
Cash at end of year	<u>\$ 1,343,140</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	\$ 289
Cash paid during the year for income taxes	210,000

See accompanying notes to financial statements.

# RUAN SECURITIES CORPORATION

## Notes to Financial Statements

December 31, 2007

### (1) Summary of Significant Accounting Policies and Related Matters

#### (a) *Description of Business*

Ruan Securities Corporation (the Company) operates as a fully disclosed, nonclearing registered broker and dealer in securities under the Securities Exchange Act of 1934. Common stock of the Company is owned by BTC Financial Corporation.

#### (b) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the period. Actual results could differ from those estimates.

#### (c) *Accounting for Security Transactions and Valuation*

Securities transactions are recorded on a trade date basis, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis.

Marketable securities owned are valued at market value.

#### (d) *Commissions*

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

#### (e) *Underwriting fees*

Underwriting fees arise from security offerings in which the Company acts as an underwriter or agent. Underwriting fees are recognized at the time the underwriting is completed and the income is determinable.

#### (f) *Property and Equipment*

Property and equipment are stated at cost. Depreciation is provided primarily using the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

#### (g) *Income Taxes*

The Company files consolidated federal and state income tax returns with BTC Financial Corporation. The Company's provision for income taxes is computed on a separate-return basis.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The

**RUAN SECURITIES CORPORATION**

Notes to Financial Statements

December 31, 2007

effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**(h) Common Stock**

Class B common stock has no voting power, except as otherwise required by law. No dividends are payable on the common stock until all dividends on the preferred stock, if any outstanding, have been paid.

**(2) Receivable from and payable to clearing firm**

Amounts receivable from the Company's clearing firm at December 31, 2007, consists of \$4,500,000 in cash on deposit for future securities transactions and \$324,424 related to the completed security transactions for which cash has not been transferred to the Company. Amounts payable to clearing firm of \$1,674,017 represents the cost of marketable securities owned at December 31, 2007.

**(3) Marketable securities owned**

Marketable securities owned consist of \$1,667,625 in state and municipal obligations. All marketable securities owned are recorded at market value.

**(4) Commitments Under Operating Leases**

The Company is obligated under operating leases for office space and office equipment (see note 5). Rent expense for office space and office equipment under lease arrangements was \$179,501 and \$1,488, respectively, for the year ended December 31, 2007. Future minimum lease payments under noncancelable operating leases as of December 31, 2007 were as follows:

Year ending December 31:		
2008	\$	174,464
2009		174,113
2010		174,113
2011		174,113
2012		174,113
Thereafter		<u>522,340</u>
Total minimum payments required	\$	<u><u>1,393,256</u></u>

**(5) Related-Party Transactions**

The Company leases office space and automobiles from affiliates. Rental expense to these affiliates totaled \$179,501 and \$12,818, respectively, for the year ended December 31, 2007.

The Company pays medical, dental, and long-term disability insurance for its employees through Bankers Trust Company, a company under common control. Insurance expense for the year ended December 31, 2007 was \$132,624. In addition, the Company paid Bankers Trust Company \$1,782 and \$9,999 in administrative fees for insurance benefits and the 401(k) retirement plan, respectively. Telephone expenses of \$16,092 were paid by the Company to Ruan, Inc., a company under common control, for the year ended

**RUAN SECURITIES CORPORATION**

Notes to Financial Statements

December 31, 2007

December 31, 2007. Charitable contributions in the amount of \$50,000 were made during 2007 to World Food Prize, a charitable organization under common control.

**(6) Income Taxes**

Income tax expense for 2007 consisted of the following:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
Current	\$ 129,977	36,674	166,651
Deferred	(6,823)	(1,177)	(8,000)
	\$ 123,154	35,497	158,651

Total income tax expense for the year ended December 31, 2007 differs from the amount of income tax expense computed by applying the normal U.S. federal income tax rate of 35% to income before income tax expense. The reasons for such differences were as follows:

Computed "expected" tax expense	\$ 205,766
State income taxes, net of federal taxes	23,073
Tax-exempt interest	(25,430)
Other	(44,758)
	\$ 158,651

Deferred tax liability of \$17,000 at December 31, 2007 is a result primarily of temporary differences relating to depreciation expense.

**(7) Regulatory Matters**

**(a) Focus Report**

The Company's stockholders' equity, as reported in the financial statements, is equal to that reported in the schedule accompanying the financial statements and the amended Form X-17A-5, Parts II and IIA.

**(b) Net Capital Requirement**

As a registered broker and dealer in securities, the Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1).

Under the computation provided by Rule 15c3-1, the Company is required to maintain "net capital" equal to the greater of \$250,000 or 6.67% of "aggregate indebtedness," as defined. Net capital and the net capital ratio fluctuate on a daily basis; however, at December 31, 2007, the Company had a ratio of aggregate indebtedness to net capital of 0.12 to 1 with a minimum net capital requirement of \$250,000 and aggregate indebtedness and net capital of \$659,473 and \$5,484,393, respectively.

# RUAN SECURITIES CORPORATION

## Notes to Financial Statements

December 31, 2007

### (8) Employees' 401(k) Savings Plan

The Company participates in a defined contribution 401(k) plan (the Plan) administered by Bankers Trust Company, a company under common control. The Plan is available to employees who meet certain eligibility requirements. Employees are allowed to contribute up to the maximum allowed (under 50 years of age – \$15,500; over 50 years of age – \$20,500 in 2007) of pretax compensation into the Plan. For the plan year ended December 31, 2007, the Company contributed \$69,894 to the Plan.

Employees are immediately 100% vested in both their contributions and the employer matching contributions.

### (9) Commitments

At December 31, 2007, the Company was committed to purchase approximately \$502,000 and sell approximately \$1,622,000 of bonds under various commitments. The amount of the commitments did not differ materially from the anticipated fair value of such securities.

### (10) Goodwill

The carrying amount of goodwill at December 31, 2007 was \$1,127,240. In accordance with FASB Statement 142, *Goodwill and Other Intangibles*, the Company is required to test goodwill for impairment annually. The results of the 2007 test did not require the Company to recognize an impairment loss.

## Schedule 1

## RUAN SECURITIES CORPORATION

## Computation of Net Capital Under Rule 15c3-1

December 31, 2007

Aggregate indebtedness:	
Accounts payable and accrued expenses	\$ 614,410
Income taxes payable	28,063
Deferred tax liability	17,000
Aggregate indebtedness	<u>\$ 659,473</u>
Net capital:	
Stockholders' equity	\$ 6,898,906
Deductions and/or charges:	
Nonallowable assets	<u>(1,278,843)</u>
Net capital before haircuts on trading securities	5,620,063
Haircuts on trading securities, computed pursuant to Rule 15c3-1(f)	<u>(135,670)</u>
Net capital	<u>\$ 5,484,393</u>
Minimum net capital (greater of \$250,000 or 6.67% of aggregate indebtedness)	\$ 250,000
Ratio of aggregate indebtedness to net capital	12%

## Schedule 2

## Determination of Reserve Requirement Under Rule 15c3-3

December 31, 2007

The Company has elected exemption under Rule 15c3-3(k)(2)(ii) of the Securities and Exchange Commission.

See accompanying independent auditors' report.

**RUAN SECURITIES CORPORATION**

Information for Possession or Control Requirements Under Rule 15c3-3

December 31, 2007

The Company has elected exemption under Rule 15c3-3(k)(2)(ii) of the Securities and Exchange Commission.

See accompanying independent auditors' report.



KPMG LLP  
2500 Ruan Center  
666 Grand Avenue  
Des Moines, IA 50309

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102

## Independent Auditors' Report on Internal Accounting Control

The Board of Directors  
Ruan Securities Corporation:

In planning and performing our audit of the financial statements of Ruan Securities Corporation (the Company) as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included 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.

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 internal control policies and procedures 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, as described in the second paragraph of this report, were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC, and other regulatory agencies which 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.

KPMG LLP

February 26, 2008

END