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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

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

OMB APPROVAL

OMB Number: 3235-0123
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hours per response12.00

SEC FILE NUMBER

8-47991



13012609

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

IBS SECURITIES, LLC

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

721 E. Madison
(No. and Street)

Suite 100

Villa Park
(City)

Illinois
(State)

60181
(Zip Code)

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

Glenn Schwalje

(312) 582-6743
(Area Code - Telephone No)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ryan & Juraska, Certified Public Accountants

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

141 West Jackson Boulevard, Suite 2250
(Address)

Chicago
(City)

Illinois
(State)

60604
(Zip Code)

CHECK ONE:

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

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).

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IBS SECURITIES, LLC
FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
PURSUANT TO SEC RULE 17a-5(d)

December 31, 2012



RYAN & JURASKA
CERTIFIED PUBLIC ACCOUNTANTS

IBS SECURITIES, LLC
FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
PURSUANT TO SEC RULE 17a-5(d)

December 31, 2012

OATH OR AFFIRMATION

I, Glenn Schwalie, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedules pertaining to the firm of IBS Securities, LLC as of December 31, 2012 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:

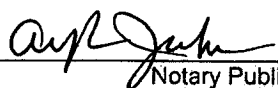
None


Signature

SR Managing Member
Title

Subscribed and sworn to before me this

20th day of February, 2013.


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 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 General Creditors.
- ☒ (g) Computation of Net Capital for Brokers and Dealers pursuant to Rule 15c3-1.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers 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.
- ☐ (p) Schedule of Segregation Requirements and Funds in Segregation - Customers' Regulated Commodity Futures Accounts Pursuant to CFTC Rule 1.11(d)(iv).

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



RYAN & JURASKA

Certified Public Accountants

141 West Jackson Boulevard
Chicago, Illinois 60604

Tel: 312.922.0062

Fax: 312.922.0672

INDEPENDENT AUDITORS' REPORT

To the Members of
IBS Securities, LLC

Report on the Financial Statements

We have audited the accompanying statement of financial condition of IBS Securities, LLC, (the "Company") as of December 31, 2012 and the related statements of operations, changes in members' equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IBS Securities, LLC as of December 31, 2012, and the results of its operation and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the supplementary schedules is presented for the purpose of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in the supplementary schedules has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in the supplementary schedules is fairly stated in all material respects in relation to the financial statements as a whole.

Ryan & Juraska

Chicago, Illinois
February 20, 2013

IBS SECURITIES, LLC

Statement of Financial Condition

December 31, 2012

Assets

Cash	\$	51,145
Receivables from broker-dealer		2,343
Due from affiliate		627,711
Other assets		<u>45,687</u>
	\$	<u><u>726,886</u></u>

Liabilities and Members' Equity

Liabilities:

Accrued expenses	\$	20,012
Payable to broker-dealer		<u>61</u>
Total liabilities		<u>20,073</u>

Members' equity		<u>706,813</u>
	\$	<u><u>726,886</u></u>

See accompanying notes.

IBS SECURITIES, LLC
Statement of Operations
Year Ended December 31, 2012

Investment income

Interest	\$	1,487
Other		<u>675</u>
		<u>2,162</u>

Expenses

Regulatory fees		21,369
Professional fees		10,484
Other operating expenses		<u>54,954</u>
		<u>86,807</u>

Net operating (loss)	\$	<u>(84,645)</u>
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Realized and unrealized gain (loss) on investments:

Net realized loss on investments		<u>(6,304)</u>
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Net loss on investments		<u>(6,304)</u>
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Net (loss)	\$	<u><u>(90,949)</u></u>
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See accompanying notes.

IBS SECURITIES, LLC

Statement of Changes in Members' Equity

Year Ended December 31, 2012

Balance at January 1, 2012	\$	797,762
Net (loss)		<u>(90,949)</u>
Balance at December 31, 2012	\$	<u><u>706,813</u></u>

See accompanying notes.

IBS SECURITIES, LLC**Statement of Cash Flows****Year Ended December 31, 2012**

Cash flows from operating activities

Net (loss)	\$	(90,949)
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized loss on investments		6,304
Depreciation		799
(Increase) decrease in operating assets:		
Receivables from broker-dealer		7,477
Due from affiliate		(134,972)
Subscription receivable, affiliate		12,084
Other assets		48
Increase (decrease) in operating liabilities:		
Accrued expenses		7,784
Payable to broker-dealer		61
Net cash used by operating activities		<u>(191,364)</u>

Cash flows from investing activities

Proceeds from sale of long-term investments		<u>67,226</u>
Net cash provided by financing activities		<u>67,226</u>
Net decrease in cash		(124,138)

Cash at beginning of year		<u>175,283</u>
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Cash at end of year	\$	<u><u>51,145</u></u>
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See accompanying notes.

IBS SECURITIES, LLC

Notes to Financial Statements December 31, 2012

1. Organization and Business

IBS Securities LLC (the "Company") is a registered broker-dealer in securities under the Securities Exchange Act of 1934 and a member of The Financial Industry Regulatory Authority ("FINRA"). As of March 15, 2000, the merger of IBS Securities Incorporated and IBS Securities L.L.C formed the Company. The Company assumed all obligations and received all assets and registrations of IBS Securities Incorporated.

The Company acts as a correspondent broker on a fully disclosed basis. Revenue is derived from proprietary trading of securities and commodity futures contracts and commissions from processing orders for securities transactions on behalf of its customers.

2. Summary of Significant Accounting Policies

The Company's financial statements have been prepared in accordance with accounting principles generally accepted ("GAAP") in the United States of America and are stated in U.S. dollars. The following is a summary of the significant accounting policies used in preparing the financial statements:

Revenue recognition and securities valuation

The Company records all securities on a trade date basis, and, accordingly, gains and losses are recorded on unsettled securities transactions. Related income amounts are accrued as earned with dividends recorded on the ex-dividend date. Investments in securities and securities sold, not yet purchased, are recorded in the statement of financial condition at fair value in accordance with Accounting Standards Codification Topic 820 ("ASC 820") – Fair Value Measurement and Disclosures (see Note 3).

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.

Depreciation

Equipment is being depreciated over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ended December 31, 2012 totaled \$799 and all of the assets were fully depreciated.

Income taxes

For income tax reporting purposes, the Company is a limited liability company, therefore, no federal income tax is provided in the Company's financial statements and the members will be responsible for income taxes, if any, on an individual basis.

IBS SECURITIES, LLC

Notes to Financial Statements, Continued December 31, 2012

2. Summary of Significant Accounting Policies, continued

Income taxes, continued

In accordance with GAAP, the Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on technical merits of the position. Generally, the Company is no longer subject to income tax examinations by major taxing authorities for the years before 2009. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Company has determined that it has not incurred any liability or unrecognized tax benefits as of December 31, 2012.

Deferred income taxes are recorded to reflect the future tax consequences of difference between the carrying value of assets and liabilities for income tax and financial reporting purposes, and for the benefits of tax credit and loss carry forward. The amounts of any future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be fully realized.

The Company has adopted FASB ASC topic 740, which provides guidance regarding how uncertain income tax positions should be recognized, measured, presented, and disclosed in the financial statements. FASB ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

The Company continues to evaluate uncertain tax positions, if any, and income tax contingencies under FASB ASC topic 450 Accounting for Contingencies. FASB ASC 450 requires the Company to accrue for losses it believes are probable and can be reasonably estimated. Management believes the impact of FASB ASC 740 on its financial position and results of operations will have no material impact on its financial statements.

3. Fair Value Disclosures

In accordance with GAAP and ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

IBS SECURITIES, LLC

Notes to Financial Statements, Continued
December 31, 2012

3. Fair Value Disclosures, continued

In determining fair value, the Company uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 Inputs – Valuation is based on quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Inputs – Valuation is based on other than quoted prices included in Level 1 that are observable for substantially the full term of the asset or liability, either directly or indirectly.

Level 3 Inputs – Valuation is based on unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation.

The availability of valuation techniques and observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

The Company values its investments based on the following principles and method of valuation:

IBS SECURITIES, LLC

Notes to Financial Statements, Continued
December 31, 2012

3. Fair Value Disclosures, continued

Investments in equities and equities options listed on an exchange and which are freely transferable are valued at their last sales price on such exchange on the date of valuation. To the extent these securities are actively traded, and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Preferred and other equities traded on inactive markets or valued by a dealer quotations or alternative pricing source or model supported by observable inputs are classified within Level 2.

Investments in securities sold short, not yet purchased represent obligations to purchase such securities at a future date. The value of the open short position is recorded as a liability, and the Company records an unrealized appreciation or depreciation to the extent of the difference between the proceeds received and the value of the open short position. The Company records a realized gain or loss when the short position is closed out. By entering into short sales, the Company bears the market risk of increases in value of the security sold short in excess of the proceeds received.

Investments in derivative instruments can be exchange-traded or privately negotiated OTC. Exchange-traded derivatives, such as futures contracts and exchange-traded option contracts, are typically classified within level 1 or level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded.

Gains and losses from investment in equities, options and derivative instruments are realized when the contracts are liquidated and change in net unrealized gain or loss from the preceding period is reported in the statement of operations.

As of December 31, 2012 the Company had no level 1, level 2 or level 3 assets or liabilities.

4. Due From Affiliate(s)

Net amounts due from entities with common ownership at December 31, 2012 amounted to \$627,711.

5. Computer Software Developed for Internal Use

The Company has adopted ASC 340-40 (formerly the Institute of Certified Public Accountants Statements of Position 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"). Accordingly, during the preliminary project and post implementation/operation, costs are expensed in the period they are incurred. During the application development costs incurred are capitalized. The amount of application development costs capitalized at December 31, 2012 amounted to \$21,406.

IBS SECURITIES, LLC

Notes to Financial Statements, Continued
December 31, 2012

6. Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk, continued

In connection with its trading activities, the Company enters into transactions with a variety of securities and derivative financial instruments including options contracts. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the statement of assets and liabilities.

Market Risk: Market risk arises primarily from changes in the market value of the financial instruments. Theoretically, the Company's exposure is equal to the notional value of contracts purchased and unlimited on such contracts sold short.

Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of 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 control its exposure to market risk through various analytical monitoring techniques.

Credit Risk: In the normal course of business credit risk arises primarily from the potential liability of counterparties to perform in accordance with the terms of a 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 generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges.

Concentration of Credit Risk: In the normal course of business the Company clears all of its trades through a single clearing broker-dealer. Currently the company is not affiliated with a clearing broker-dealer. In the event the counterparties do not fulfill their obligations, the Company may be exposed to risk. This risk of default depends on the creditworthiness of each counterparty to these transactions. The Company attempts to minimize this credit risk by monitoring the creditworthiness of the counterparties.

The Members bear the risk of loss only to the extent of the fair value of their respective investments and, in certain specific circumstances, distributions and redemptions received.

The Company maintains its cash in a bank deposit account which, at times, may exceed the federally insured limit. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

IBS SECURITIES, LLC

Notes to Financial Statements, Continued
December 31, 2012

6. Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk, continued

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of future obligation under these indemnifications to be remote.

7. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15(c)3-1). Under this rule, the Company is required to maintain "net capital" equal to the greater of \$5,000 or 6 and 2/3 % of "aggregate indebtedness", as defined.

At December 31, 2012, the Company had net capital and net capital requirements of \$33,415 and \$5,000, respectively.

8. Subsequent Events

The Company's management has evaluated events and transactions through February 20, 2012, the date the financial statements were issued, noting no material events requiring disclosure in the Company's financial statements.

SUPPLEMENTAL SCHEDULES

IBS SECURITIES, LLC**Computation of Net Capital for Broker and Dealers pursuant to Rule 15c3-1****December 31, 2012**

Computation of net capital

Total members' equity		\$	706,813
Deductions and /or charges:			
Nonallowable assets:			
Due from affiliate	\$	627,711	
Other assets		<u>45,687</u>	<u>(673,398)</u>
Commodity futures contracts and spot commodities proprietary capital charges		<u>0</u>	<u>0</u>
Net capital before haircuts on securities positions			33,415
Haircuts on securities:			
Trading and investment securities:			
Other securities	\$	<u>0</u>	<u>0</u>
Net capital		\$	<u><u>33,415</u></u>

Computation of basic capital requirement

Minimum net capital required (greater of \$5,000 or 6 ⅓% of aggregate indebtedness)		<u>5,000</u>
Net capital in excess of net capital requirement	\$	<u><u>28,415</u></u>

Computation of aggregate indebtedness

Aggregate indebtedness	\$	<u><u>20,073</u></u>
Ratio of aggregate indebtedness to net capital	%	<u><u>60.07</u></u>

There are no material differences between the above computation and the Company's corresponding unaudited Form FOCUS Part II filing as of December 31, 2012.

See accompanying notes.

IBS SECURITIES, LLC

Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3

December 31, 2012

The Company did not handle any customer cash or securities during the year ended December 31, 2012 and does not have any customer accounts.

IBS SECURITIES, LLC

Computation for Determination of PAIB Reserve Requirements pursuant to Rule 15c3-3

December 31, 2012

The Company did not handle any customer cash or securities during the year ended December 31, 2012 and does not have any customer accounts.

IBS SECURITIES, LLC

Information Relating to Possession or Control Requirements pursuant to Rule 15c3-3

December 31, 2012

The Company did not handle any customer cash or securities during the year ended December 31, 2012 and does not have any customer accounts.



RYAN & JURASKA

Certified Public Accountants

141 West Jackson Boulevard
Chicago, Illinois 60604

Tel: 312.922.0062

Fax: 312.922.0672

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the Members of
IBS Securities, LLC

In planning and performing our audit of the financial statements of IBS Securities, LLC (the "Company"), as of and for the year ended December 31, 2012, 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 and certain firm assets. 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 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 previously 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 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 *deficiency in internal control* 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, and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *deficiency in internal control* 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, and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

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 and certain firm assets that we consider to be material weaknesses, as defined previously.

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, 2012, to meet the SEC's objectives.

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

Ryan & Juraska

Chicago, Illinois
February 20, 2013