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## ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

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Section

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Washington, DC

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: LFC Securities, LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

1350 Euclid Avenue

(No. and Street)

Cleveland

Ohio

44145

(City)

(State)

(Zip Code)

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

Steven C. Bender

(646) 290-7248

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

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

Cohen Fund Audit Services, Ltd

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

800 Westpoint Parkway, Suite 1100

Westlake

Ohio

44145

(Address)

(City)

(State)

(Zip Code)

## CHECK ONE:

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

PROCESSED

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THOMSON  
FINANCIAL

\*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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## OATH OR AFFIRMATION

I, Steven C. Bender, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of LFC SECURITIES, LLC, 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: NONE.

St C Bender  
Signature

FINANCIAL + OPERATIONS PRINCIPAL  
Title

Karen M. Mitchell  
Notary Public

KAREN M. MITCHELL  
No. 01M16138824  
Notary Public, State of New York  
Qualified in Erie County  
My Commission Expires Dec. 27, 2009

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 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 Auditor's Report on Internal Control

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

LFC SECURITIES, LLC  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2007

LFC SECURITIES, LLC

DECEMBER 31, 2007

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MEMBER  
LFC SECURITIES, LLC

### Independent Auditors' Report

We have audited the accompanying statement of financial condition of LFC Securities, LLC (the Company), a wholly-owned subsidiary of Love Funding Corporation (the Parent), as of December 31, 2007, and the related statements of income, changes in member's capital, 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 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 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 LFC Securities, LLC as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III 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 our 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.

*Cohen Fund Audit Services*

February 20, 2008  
Westlake, Ohio

## STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2007

## ASSETS

|                           |                   |
|---------------------------|-------------------|
| CASH AND CASH EQUIVALENTS | \$ 163,401        |
| RESTRICTED CASH           | 75,000            |
| OTHER ASSETS              | <u>2,215</u>      |
|                           | <u>\$ 240,616</u> |

## LIABILITIES AND MEMBER'S CAPITAL

|                                       |                   |
|---------------------------------------|-------------------|
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES | \$ 23,155         |
| MEMBER'S CAPITAL                      | <u>217,461</u>    |
|                                       | <u>\$ 240,616</u> |

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

STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2007

## REVENUE

|                      |               |
|----------------------|---------------|
| Commissions and fees | \$ 2,205      |
| Other revenue        | 35,000        |
| Interest             | <u>7,044</u>  |
|                      | <u>44,249</u> |

## EXPENSES

|                                                  |               |
|--------------------------------------------------|---------------|
| Commissions, employee compensation, and benefits | 598           |
| Professional expenses                            | 23,728        |
| Office expense                                   | 8,137         |
| Travel                                           | 2,022         |
| Insurance                                        | <u>799</u>    |
|                                                  | <u>35,284</u> |

NET INCOME BEFORE INCOME TAXES 8,965

PROVISION FOR INCOME TAXES - CURRENT 3,138

NET INCOME \$ 5,827

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

## STATEMENT OF CHANGES IN MEMBER'S CAPITAL

YEAR ENDED DECEMBER 31, 2007

|                             |                   |
|-----------------------------|-------------------|
| BALANCE – JANUARY 1, 2007   | \$ 211,634        |
| NET INCOME                  | <u>5,827</u>      |
| BALANCE – DECEMBER 31, 2007 | <u>\$ 217,461</u> |

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

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2007

## CASH FLOW PROVIDED FROM OPERATING ACTIVITIES

|                                                                   |                |
|-------------------------------------------------------------------|----------------|
| Net income                                                        | \$ 5,827       |
| Increase (decrease) in cash from changes in operating activities: |                |
| Other assets                                                      | (531)          |
| Accounts payable and accrued expenses                             | 569            |
| Commissions payable                                               | <u>(1,485)</u> |
| Net cash provided from operating activities                       | <u>4,380</u>   |

## NET INCREASE IN CASH AND CASH EQUIVALENTS

4,380

## CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR

234,021

## CASH AND CASH EQUIVALENTS – END OF YEAR

\$ 238,401

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

## NOTES TO THE FINANCIAL STATEMENTS

## 1. ORGANIZATION

LFC Securities, LLC (the Company), is a broker-dealer registered with the Securities and Exchange Commission (SEC) and the State of Ohio. The Company is a member of the Financial Industry Regulatory Authority (FINRA), specializing in underwriting municipal bonds. The Company is a wholly-owned subsidiary of Love Fund Corporation (the Parent).

The Company operates as a Delaware limited liability company. The Company has one class of member units and was established with a perpetual life.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is an introducing broker-dealer and has entered into a fully disclosed clearing agreement with a carrying broker, which is responsible for complying with all regulatory requirements related to carrying customers' accounts.

Cash and Cash Equivalents

At times during the year, the Company's cash accounts may exceed the related amount of federal depository insurance. The Company has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk.

The Company considers financial instruments with a maturity of less than 90 days to be cash equivalents.

Restricted Cash

The Company has \$75,000 in an interest bearing account required to be on deposit with the Company's clearing broker pursuant to its clearing agreement.

Concentration of Credit Risk

The Company is engaged in underwriting activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event that these other broker-dealers or counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of these other broker-dealers or counterparties. It is the Company's policy to review, as necessary, the credit standing of these various relationships.

Approximately 79% of revenue in 2007 is comprised of a payment from the National Association of Securities Dealers (NASD) as part of the agreement to merge with the New York Stock Exchange (NYSE).

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

The Company files a consolidated tax return with the Parent; however, it is the Company's practice to record its income tax provision as if it were filing on a stand alone basis. An amount equal to the Company's income tax provision is paid to the Parent.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 – *Accounting for Uncertainty in Income Taxes* that requires the tax effects of certain tax positions to be recognized. These tax positions must meet a "more likely than not" standard that, based on their technical merits, have a more than 50 percent likelihood of being sustained upon examination. FASB Interpretation No. 48 is effective for fiscal periods beginning after December 15, 2007. At adoption, the financial statements must be adjusted to reflect only those tax positions that are more likely than not to be sustained. Management of the Company is currently evaluating the impact that FASB Interpretation No. 48 will have on the Company's financial statements.

At December 31, 2007, a payable to the Parent for income taxes in the amount of \$23,155 is included in accounts payable and accrued expenses.

Commissions

Commission income, commission expense, and related clearing expenses are recorded on a settlement date basis as securities transactions occur, which approximates trade date.

Use of Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from estimates that were used.

## NOTES TO THE FINANCIAL STATEMENTS

## 3. RELATED PARTY TRANSACTIONS

The Company has an agreement with its Parent that provides that certain operating expenses will be paid by the Parent on behalf of the Company. Payments are made by the Company to the Parent to reimburse these operating expenses. Payments to the Parent under this agreement totaled \$412 in 2007.

The Company also leases office space from the Parent under a sublease, expiring June, 2008. The monthly amount increased in July 2007 from \$328 per month to \$758 per month. Total rent expense for 2007 was \$6,514.

## 4. NET CAPITAL PROVISION OF RULE 15c3-1

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital balance, as defined, under such provisions.

The Company's minimum capital requirement is the greater of \$100,000 or 6½% of aggregate indebtedness, as defined, under Securities and Exchange Commission Rule 15c3-1(a)(1)(i) and 15c3-1(a)(2)(ii), as it does not maintain customer accounts. Net capital may fluctuate on a daily basis. At December 31, 2007, the Company had net capital of \$211,993, which was \$111,993 in excess of its required net capital of \$100,000.

In addition to the minimum net capital provisions, Rule 15c3-1 requires that the Company maintain a ratio of aggregate indebtedness, as defined, to net capital, of not more than 15 to 1. At December 31, 2007, the ratio was 0.11 to 1.

## 5. EXEMPTION FROM RULE 15c3-3

The Company acts as an introducing broker or dealer, promptly transmitting all funds and delivering all securities received in connection with its activities as a broker or dealer and does not otherwise hold funds or securities for or owe money or securities to customers. The Company operates under Section (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and is therefore exempt from the requirements of Rule 15c3-3.

SUPPLEMENTAL INFORMATION

PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934

DECEMBER 31, 2007

SCHEDULE I - COMPUTATION OF NET CAPITAL  
PURSUANT TO RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2007

|                                                              |                   |
|--------------------------------------------------------------|-------------------|
| NET CAPITAL                                                  |                   |
| Total member's capital from statement of financial condition | \$ 217,461        |
| Less: Non-allowable assets:                                  |                   |
| Other assets                                                 | <u>2,215</u>      |
| NET CAPITAL BEFORE HAIRCUTS ON SECURITIES                    | 215,246           |
| Haircuts on securities                                       | <u>3,253</u>      |
| NET CAPITAL                                                  | <u>\$ 211,993</u> |
| COMPUTATION OF AGGREGATE INDEBTEDNESS                        |                   |
| TOTAL LIABILITIES FROM STATEMENT OF FINANCIAL CONDITION      | <u>\$ 23,155</u>  |
| COMPUTATION OF BASIC NET CAPITAL REQUIREMENT -               |                   |
| 6 2/3% OF AGGREGATE INDEBTEDNESS                             | <u>\$ 1,544</u>   |
| MINIMUM REQUIRED NET CAPITAL                                 | <u>\$ 100,000</u> |
| NET CAPITAL REQUIREMENT                                      | <u>\$ 100,000</u> |
| EXCESS NET CAPITAL                                           | <u>\$ 111,993</u> |
| RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL               | <u>0.11 to 1</u>  |

A reconciliation of the computation of net capital under Rule 15c3-1 as included in the Company's unaudited Form X-17a-5 as of December 31, 2007, filed with the Securities and Exchange Commission and the amount included in the accompanying Schedule I computation follows:

|                                                              |                      |
|--------------------------------------------------------------|----------------------|
|                                                              | December 31,<br>2007 |
| Net capital, as reported in Company's Form X-17a-5, Part IIA | <u>\$ 215,246</u>    |
| Net adjustment to net capital                                |                      |
| Haircuts                                                     | <u>3,253</u>         |
| Net capital, as reported in Schedule I                       | <u>\$ 211,993</u>    |

SCHEDULES II AND III – COMPUTATION FOR  
DETERMINATION OF RESERVE REQUIREMENTS AND  
INFORMATION RELATING TO POSSESSION OR CONTROL  
REQUIREMENTS PURSUANT TO RULE 15c3-3 OF THE  
SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2007

The Company is not required to present the schedules "Computation for Determination of Reserve Requirements Under Rule 15c3-3" and "Information for Possession or Control Requirements Under Rule 15c3-3" as it meets the exemptive provisions of Rule 15c3-3, under Section (k)(2)(ii) of the Rule.



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MEMBER  
LFC SECURITIES, LLC

Independent Auditors' Report on Internal Control  
Required by SEC Rule 17a-5(g)(1)

In planning and performing our audit of the financial statements and supplemental schedules of LFC Securities, LLC, 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 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 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 information and use of the member, management, the SEC, the Financial Industry Regulatory Authority, 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 those specified parties.

*Coker Fund Audit Services*

February 20, 2008  
Westlake, Ohio

END