



STATEMENT OF FINANCIAL CONDITION

December 31, 2008
(Audited)

INDEPENDENT AUDITOR'S REPORT

The Partners

Vining-Sparks IBG, Limited Partnership:

We have audited the accompanying statement of financial condition of Vining-Sparks IBG, Limited Partnership (the Partnership) as of December 31, 2008 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934 and Regulation 1.10 under the Commodity Exchange Act. This financial statement is the responsibility of the Partnership'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 statement of financial condition is 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 Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit of a statement of financial condition also includes examining, on a test basis, evidence supporting the amounts and disclosures in that statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Vining-Sparks IBG, Limited Partnership as of December 31, 2008, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 26, 2009

FROM THE PRESIDENT/CEO

The economic and financial distress that began in 2007 intensified in 2008 as the United States and many other economies faced their most dire circumstances since the Great Depression. Liquidity and capital positions were challenged throughout the financial system. The Fed, Treasury, and others introduced new programs and injected liquidity in previously unthinkable ways and volumes. Many of the nation's largest financial firms failed. The shockwaves sent through the system posed tests to all market participants.

As was the case in 2007, we are pleased to have not only survived the challenges but to have continued to strengthen our firm, our relationships, our balance sheet, and our services. With so many Wall Street firms and large banks facing peril and trials, many of our customers found themselves lacking the necessary support and coverage. We have sought to meet those needs and have enhanced relationships as a result.

While the financial crisis appeared to have reached its pinnacle in September 2008, the economic crisis appears poised to continue for some time to come, even with the amount of fiscal and monetary stimulus being thrown into the mix. For most of our customers, this environment presents significant opportunities, meaningful risks, and demanding management issues. We will continue our efforts to support the decision-making process.

In 2008, we added interest rate products and whole loan trading to our platforms, further enhancing the ways in which we can assist customers in achieving their strategic and financial goals.

Looking ahead we see tremendous opportunities emerging from the current environment, especially for the financial services industry. As always, we thank you for your ongoing support and relationship and look forward to serving you in the coming years.

Mark A. Medford

A handwritten signature in black ink that reads "Mark A. Medford". The signature is written in a cursive, flowing style.

President/CEO

April 9, 2009

STATEMENT OF FINANCIAL CONDITION
December 31, 2008
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Assets

Cash, including \$3,390,103 segregated under federal regulations	\$ 6,493,968
Securities purchased under agreements to resell	67,280,034
Receivables from customers	583,033
Receivables from broker-dealers and clearing organizations	26,352,317
Securities owned, at fair value	329,660,277
Furniture, fixtures, and equipment, at cost, net of accumulated depreciation and amortization of \$6,912,435	1,347,698
Accrued interest receivable on securities	2,683,303
Other receivables	3,079,256
Other assets	<u>3,753,116</u>
Total assets	<u><u>\$441,233,002</u></u>

Liabilities and Partners' Capital

Liabilities:

Payable to clearing agents and brokers and dealers	\$249,723,577
Securities sold under agreements to repurchase	58,584,563
Payable to customers	2,512,551
Securities sold, not yet purchased, at fair value	46,615,363
Accrued interest payable on securities	487,682
Accounts payable and accrued expenses	21,174,582
Accrued distributions to partners	<u>6,943,700</u>
Total liabilities	<u><u>386,042,018</u></u>

Partners' capital:

Vining-Sparks Securities, Inc.	726,149
Vining-Sparks Fund, L.P.	31,253,426
Vining-Sparks & Associates, L.P.	<u>23,211,409</u>
Total partners' capital	55,190,984

Commitments and contingencies

Total liabilities and partners' capital	<u><u>\$441,233,002</u></u>
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See accompanying notes to statement of financial condition.

Notes to Statement of Financial Condition December 31, 2008

(I) Summary of Significant Accounting Policies

(a) Organization

Vining Sparks IBG, Limited Partnership (the Partnership) primarily acts as a U.S. government and municipal securities broker dealer. In the United States of America, the Partnership is registered with the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB), the National Futures Association (NFA), and the Commodities Futures Trading Commission (CFTC). The Partnership is also registered in Europe with the Financial Services Authority (FSA) of the United Kingdom, and with regulatory agencies in Canada.

At December 31, 2008, the partners are Vining Sparks Securities, Inc. (VSSI), as a 1.3774% general partner; Vining Sparks Fund, L.P., as a 58.9036% limited partner; and Vining Sparks & Associates, L.P., as a 39.7190% limited partner.

(b) Securities Transactions

Securities transactions in regular-way trades and related commission revenue and expenses are recorded on the trade date. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded on a net basis and are included in other receivables on the statement of financial condition.

Securities owned by the Partnership are stated at fair value. Marketable securities owned and securities sold, not yet purchased, are valued at fair value using quoted market prices as determined through third-party pricing services. There were no securities which were not readily marketable at December 31, 2008.

(c) Fair Value

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy 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 developed based on market data obtained from sources independent of the Partnership. Unobservable inputs are those that reflect the Partnership's assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Partnership adopted the provisions of SFAS No. 157 on January 1, 2008. The adoption of this pronouncement did not have a material effect on the Partnership's financial condition or results of operations.

In February 2007, the FASB issued Statement of Financial Accounting Standards, No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other investments at fair value. The Partnership adopted SFAS No. 159 on January 1, 2008; however, they did not elect the fair value option for any investments not previously recorded at fair value under previously recorded accounting guidance.

(d) Resale and Repurchase Agreements and Securities Lending Agreements

Transactions involving purchases of securities under agreements to resell (reverse repurchase agreements, reverse repos, or resale agreements) or sales of securities under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized financings. It is the policy of the Partnership to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Partnership may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

(e) Depreciation and Amortization

Depreciation and amortization are provided on a straight line basis over the estimated useful lives of the assets (three to five years) or the life of the lease, whichever is less.

(f) Income Taxes

No provision for federal income taxes has been made because the Partnership is required to allocate income and expenses to the partners for inclusion in their respective federal income tax returns.

(g) Derivative Financial Instruments

The Partnership has entered into interest rate derivative (swaps and caps) agreements to assist customers in reducing exposure to market risks from changing interest rates. In order to mitigate the interest rate exposure associated with these agreements, the Partnership has also entered into interest rate derivative agreements with other counterparties, whose terms are identical to the customer interest rate swap agreements. At December 31, 2008, the Partnership had no outstanding interest rate swap or cap agreements.

(h) Fair Value of Financial Instruments

Substantially all of the Partnership's financial instruments are carried at fair value.

(i) Management 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Securities Segregated under Federal Regulations

The Partnership maintains a special reserve bank account for the benefit of customers under Rule 15c3-3 of the SEC. As of December 31, 2008, restricted cash of \$3,390,103 has been segregated into this account.

(3) Receivable from Broker-Dealers and Clearing Organizations

The receivable from broker-dealers and clearing organizations is comprised of the following at December 31, 2008:

Securities failed to deliver	\$ 14,103,241
Receivable from clearing organizations	6,958,768
Deposits for securities borrowed	4,322,896
Other	<u>967,412</u>
	<u>\$ 26,352,317</u>

(4) Securities Owned and Securities Sold, Not Yet Purchased

Marketable securities owned and sold, not yet purchased, consist of trading securities at fair value, as follows:

	Owned	Sold, not yet purchased
U.S. government and agencies	\$89,020,415	46,507,363
Agency collateralized mortgage obligations	12,334,570	—
Small Business Administration (SBA) securities	218,682,553	—
United States Department of Agriculture (USDA) loans	352,240	—
SBA interest-only strips	3,062,761	—
State and municipal	4,475,275	—
Corporate bonds	<u>126,000</u>	<u>108,000</u>
	<u>\$329,660,277</u>	<u>46,615,363</u>

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. All the Partnership's securities are valued using matrix pricing and are classified as Level 2.

The following table presents the securities owned and sold, not yet purchased, based on valuation method, as of December 31, 2008:

	Fair value measurements at reporting date using			Total
	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Trading Securities \$	—	329,660,277	—	329,660,277
Securities sold, not yet purchased	—	46,615,363	—	46,615,363

(5) Payable to Clearing Agents and Brokers and Dealers

The payable to clearing agent and brokers and dealers is comprised of the following at December 31, 2008:

Securities failed to receive Secured borrowings from clearing agent	\$ 16,217,964
Net payable for unsettled trades	17,723,118
Other	<u>433,538</u>
	<u>\$249,723,577</u>

The payable to clearing agents, for which the Partnership incurs interest, is collateralized by securities owned either by the Partnership or held for the account of customers and other brokers and dealers for which the Partnership has yet to be paid. The weighted average interest rate on these collateralized borrowings at December 31, 2008 is 2%.

(6) Securities Sold under Agreements to Repurchase

The Partnership enters into sales of securities under agreements to repurchase, with the obligation to repurchase the securities sold reflected as a liability on the statement of financial condition. Securities owned by the Partnership with a fair value totaling \$42,846,874 were sold under agreements to repurchase at prices totaling \$41,584,563. In addition, the Partnership has accepted collateral from other parties with a fair value of \$21,780,000 that the Partnership is permitted by contract to sell or repledge, and has sold or repledged \$17,000,000 of that collateral at December 31, 2008.

(7) Working Capital Line of Credit

The Partnership has a \$10,000,000 working capital line of credit to a bank, which bears interest at the prime rate minus one percent. The note is collateralized by the SBA interest-only strips owned by the Partnership. There was no balance outstanding under this line of credit at December 31, 2008. The line of credit matures on June 1, 2009.

(8) Partner Transactions

Under the terms of the partnership agreement, a minimum of 35% of the Partnership's taxable net income, as defined, is to be distributed to the Partners based on their respective percentage interests in the Partnership. During 2008, the amount of distributions paid to the Partners was \$20,692,882, which includes \$1,803,301 in distributions accrued at December 31, 2007. On December 31, 2008, the Partnership declared additional distributions of \$6,943,700 to be paid subsequent to year end. These amounts were paid on January 26, 2009.

(9) Agreements with Other Broker Dealers

The Partnership has an agreement with ICBA Securities Corporation wherein the Partnership agrees to act as clearing broker and manage the sales and back office functions for ICBA Securities Corporation. Under the terms of the agreement, all expenses related to such activities, including management of the related accounts, are borne by the Partnership. During 2008, the Partnership paid such expenses and received commissions from business generated from this relationship.

(10) Net Capital Requirements

The Partnership is subject to the SEC Uniform Net Capital Rule, which requires the maintenance of minimum net capital. The Partnership has elected to use the alternative method, which requires the Partnership to maintain minimum net capital, as defined, equal to the greater of \$250,000, or 2% of aggregate debit balances, arising from customer transactions, as defined. At December 31, 2008, the Partnership had net capital of \$39,564,219, which was \$39,314,219 in excess of required net capital.

(11) Commitments and Contingencies
Leases

At December 31, 2008, the Partnership was obligated under noncancelable operating leases for office space with remaining terms in excess of one year. Estimated future annual commitments are as listed below:

Year ending December 31:	
2009	1,865,768
2010	1,482,198
2011	190,854
2012	112,729
2013	<u>25,179</u>
	<u>\$3,676,728</u>

Future rental commitments for leases have not been reduced by minimum noncancelable sublease rentals aggregating \$207,063.

Litigation

In the normal course of business, the Partnership is subject to claims and litigation. Management of the Partnership believes that such matters will not have a material adverse effect on the Partnership's results of operations, liquidity, or financial condition.

(12) Financial Instruments with Off-Balance-Sheet Risk

The Partnership enters into various transactions involving derivatives and other instruments with off balance sheet risk. These financial instruments include mortgage backed and SBA to be announced securities (TBAs), securities purchased and sold on a when issued basis, including SBA-guaranteed loans (when issued securities) and interest rate swaps. These financial instruments are used to meet the needs of customers, conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk.

TBAs and when issued securities provide for the delayed delivery of the underlying instrument. Management does not anticipate that losses, if any, as a result of credit or market risk would materially affect the Partnership's financial position due in part to the short term nature of the commitments. The extent of the Partnership's involvement in TBAs and when issued financial instruments with off balance sheet risk as of December 31, 2008 was a commitment to purchase securities totaling \$1,024,688 and a commitment to sell of \$53,013,439.

Interest rate swaps, including interest rate caps, involve the exchange of payments based on fixed or floating rates applied to notional amounts. The contractual or notional amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. The Partnership enters into interest rate swap and cap arrangements for customers. The Partnership enters into interest rate swap and cap agreements, with other counterparties, whose terms are identical to the interest rate swap and cap agreements. At December 31, 2008, the Partnership had no outstanding interest rate swap or cap agreements.

In the normal course of business, the Partnership's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Partnership to off balance sheet risk in the event the customer or other broker is unable to fulfill its contractual obligations and the Partnership has to purchase or sell the financial instrument underlying the contract at a loss.



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