



STATEMENT OF FINANCIAL CONDITION

December 31, 2009

(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, 2009 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, 2009, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 25, 2010

FROM THE PRESIDENT/CEO

After experiencing significant stress, peaking in late 2008 and early 2009, markets spent the remainder of 2009 normalizing. Spreads narrowed, liquidity returned to most markets, and investor confidence grew. The Fed was a primary driver of the recovery as it was both a lender and a buyer of last resort, providing liquidity to banks and markets through a number of programs. The Federal Reserve has ended the bulk of its liquidity programs as markets have regained a solid footing. Even though the Fed continues to anticipate low short-term rates for an "extended period," longer term rates have already risen appreciably from their lows and the curve has steepened.

As noted a year ago, 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. In addition to building capital consistently over the years, we have carefully managed our balance sheet and exposures. Through our services, our support, and our ability to provide liquidity to our customers, we have enhanced customer relationships through these challenging years. We continue to cherish those relationships and appreciate the opportunity to enhance them.

In addition to our core institutional fixed income business, 2009 saw growth in our interest rate products and whole loan trading platforms, growth we expect to see continuing. Interest rate risk reporting and bond accounting also gained customers as regulatory demands, complexities, and competitive positioning increased the appeal of those services.

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".

President/CEO

April 7, 2010

STATEMENT OF FINANCIAL CONDITION
December 31, 2009
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Assets

Cash, including \$3,317,566 segregated under federal regulations	\$ 6,893,672
Securities purchased under agreements to resell	109,420,969
Receivables from customers	23,467,022
Receivables from broker-dealers and clearing organizations	38,031,312
Securities owned, at fair value	463,469,095
Furniture, fixtures, and equipment, at cost, net of accumulated depreciation and amortization of \$7,324,782	1,647,350
Accrued interest receivable on securities	2,032,907
Other receivables	2,267,570
Other assets	<u>3,770,690</u>
Total assets	<u><u>\$651,000,587</u></u>

Liabilities and Partners' Capital

Liabilities:

Payable to clearing agents and brokers and dealers	\$224,467,958
Securities sold under agreements to repurchase	223,750,281
Payable to customers	346,309
Securities sold, not yet purchased, at fair value	109,139,259
Accrued interest payable on securities	360,624
Accounts payable and accrued expenses	24,779,848
Accrued distributions to partners	<u>3,155,779</u>
Total liabilities	<u>586,000,058</u>

Partners' capital:

Vining-Sparks Securities, Inc.	861,267
Vining-Sparks Fund, L.P.	31,819,960
Vining-Sparks & Associates, L.P.	<u>32,319,302</u>
Total partners' capital	65,000,529
Commitments and contingencies (notes 11 and 12)	<u> </u>
Total liabilities and partners' capital	<u><u>\$651,000,587</u></u>

See accompanying notes to financial statements.

Notes to Statement of Financial Condition December 31, 2009

(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, 2009, the partners are Vining Sparks Securities, Inc. (VSSI), as a 1.3774% general partner, Vining Sparks Fund, L.P., as a 50.6146% limited partner, and Vining Sparks & Associates, L.P., as a 48.0080% 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 payable to clearing agents and brokers and dealers on the statement of financial condition.

Securities owned by the Partnership and securities sold, not yet purchased are stated at fair value. Marketable securities owned and securities sold, not yet purchased, are valued at fair value using quoted market prices or matrix pricing as determined through third-party pricing services. There were no securities which were not readily marketable at December 31, 2009.

(c) Fair Value

The Partnership adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 for Fair Value Measurements and Disclosures (ASC Topic 820) on January 1, 2008. ASC Topic 820 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 (exit price). ASC Topic 820 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.

(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 allocates income and expense to the partners for inclusion in their respective federal income tax returns. Deferred state income tax balances were not significant at December 31, 2009.

(g) Statement of Changes in Subordinated Liabilities

The financial statements do not include a statement of changes in liabilities subordinated to the claims of general creditors as required under Rule 17a-5 of the SEC, and CFTC Regulation 1.16(c)(5), since no such liabilities existed at December 31, 2009 or at any time during the year then ended.

(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. Actual results could differ from those estimates.

(j) New Subsequent Events Accounting Standard

FASB ASC Topic 855 for Subsequent Events (ASC Topic 855), introduces the concept of financial statements being "available to be issued," and requires disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. ASC Topic 855 does not result in significant changes to subsequent events that are reported either through recognition or disclosure in the financial statements. ASC Topic 855 is effective for the Partnership's December 31, 2009 financial statements, and the Partnership has evaluated subsequent events through February 25, 2010, the date the financial statements were issued.

(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, 2009, restricted cash of \$3,317,566 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, 2009:

Securities failed to deliver	\$ 37,659,059
Receivable from clearing organizations	197,260
Other	<u>174,993</u>
	<u>\$ 38,031,312</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	\$196,435,499	109,139,259
Agency collateralized mortgage obligations	116,636,060	—
Corporate collateralized mortgage obligations	2,837,068	—
Small Business Administration (SBA) securities	113,947,110	—
United States Department of Agriculture (USDA) loans	5,086,247	—
SBA interest-only strips	457,392	—
State and municipal	18,887,995	—
Corporate bonds	<u>9,181,724</u>	<u>—</u>
	<u>\$463,469,095</u>	<u>109,139,259</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, 2009

Fair value measurements at reporting date using

	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Trading Securities \$	—	463,469,095	—	463,469,095
Securities sold, not yet purchased	—	109,139,259	—	109,139,259

(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, 2009:

Securities failed to receive Secured borrowings from clearing agent	\$ 61,369,510
Net payable for unsettled trades	101,257,962
Other	61,158,413
	<u>682,073</u>
	<u>\$224,467,958</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, 2009 is 1.5%.

(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 \$236,905,160 were sold under agreements to repurchase at prices totaling \$223,750,281.

(7) Working Capital Line of Credit

The Partnership has a \$20,000,000 working capital line of credit to a bank, which bears interest at the prime rate. The note is collateralized by the SBA interest-only strips owned by the Partnership, and the other \$10,000,000 note is unsecured. There was no balance outstanding under these lines of credit at December 31, 2009. The lines of credit mature on July 15, 2010.

(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 2009, the amount of distributions paid to the Partners was \$39,177,709, which includes \$6,943,700 in distributions accrued as of December 31, 2008. As of December 31, 2009, the Partnership declared additional distributions of \$3,155,779 to be paid subsequent to year end. These amounts were paid on January 26, 2010.

(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 2009, 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, 2009, the Partnership had net capital of \$35,760,631, which was \$35,297,191 in excess of required net capital.

(11) Commitments and Contingencies**Leases**

At December 31, 2009, 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:	
2010	1,880,256
2011	1,902,426
2012	1,860,327
2013	1,700,731
2014	1,575,794
2015 and thereafter	<u>9,598,746</u>
	<u>\$18,518,280</u>

Future rental commitments for leases have not been reduced by minimum noncancelable sublease rentals aggregating \$44,076.

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, 2009 was a commitment to purchase securities totaling \$34,710,694 and a commitment to sell securities totaling \$22,272,163.

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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