

**PENSON
FINANCIAL SERVICES, INC.**

**Statement of Financial Condition
June 30, 2006
(unaudited)**

Assets	
Cash and cash equivalents	\$ 118,436,485
Cash and securities segregated under federal and other regulations	83,792,373
Receivable from broker-dealers and clearing organizations	159,225,036
Receivable from customers and non-customers, net	876,074,087
Receivable from correspondents	185,547,797
Receivable from parent	7,579,488
Securities borrowed	1,022,832,278
Securities owned, at fair value	9,814,640
Deposits with clearing organizations	135,496,588
Property and equipment, less accumulated depreciation	5,267,555
Other assets	8,062,186
Total assets	<u>\$ 2,612,128,513</u>
Liabilities and Stockholder's Equity	
Payable to customers and non-customers	\$ 1,137,487,460
Payable to correspondents	188,474,820
Payable to broker-dealers and clearing organizations	76,978,468
Securities loaned	1,020,858,320
Firm loans payable to banks	4,308,198
Accounts payable, accrued expenses, and other liabilities	21,911,145
Total liabilities	<u>2,450,018,411</u>
Stockholder's equity:	
Preferred Stock	100,000
Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding	1,000
Additional paid-in capital	121,101,623
Retained earnings	40,907,479
Total stockholder's equity	<u>162,110,102</u>
Total liabilities and stockholder's equity	<u>\$ 2,612,128,513</u>

See accompanying notes.

PENSON WORLDWIDE, INC.
subsidiaries include:

PENSON FINANCIAL SERVICES, INC.
Dallas, Texas
Member NASD and SIPC

PENSON FINANCIAL SERVICES CANADA, INC.
Montreal
Member Investment Dealers Association of Canada and CIPF

PENSON FINANCIAL SERVICES LIMITED
London
Regulated by The Financial Services Authority
Member London Stock Exchange

PENSON FINANCIAL FUTURES, INC.
Dallas, Texas
Member National Futures Association

NEXA TECHNOLOGIES, INC.
Irvine, California

P N S N
NASDAQ[®]
LISTED

**PENSON
FINANCIAL SERVICES, INC.**



**STATEMENT OF
FINANCIAL CONDITION
JUNE 30, 2006**

*1700 Pacific Avenue
Suite 1400
Dallas, Texas 75201*

Phone: 214.765.1100

*Member:
NASD
SIPC
NASDAQ
Chicago Stock Exchange
Chicago Board Options Exchange
International Securities Exchange
NYSE Arca
OneChicago
Boston Options Exchange
Philadelphia Stock Exchange*

*A Subsidiary of
PENSON WORLDWIDE, INC.*

PENSON

Financial Services, Inc.

1. Organization and Nature of Business

Penson Financial Services, Inc., (the Company), a North Carolina corporation, is a broker-dealer registered with the Securities and Exchange Commission (SEC) and a member of the National Association of Securities Dealers, Inc. (NASD). The Company is a wholly owned subsidiary of SAI Holdings, Inc. (SAI). SAI is a wholly owned subsidiary of Penson Worldwide, Inc. (PWI).

2. Summary of Significant Accounting Policies

Securities Transactions

Proprietary securities transactions are recorded at market value on a trade-date basis as if they had settled. Customer securities transactions are reported on a settlement-date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management.

Securities Lending Activities

Securities borrowed and securities loaned transactions are generally reported as collateralized financings except where letters of credit or other securities are used as collateral. Securities borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender. With respect to securities loaned, the Company receives in the form of cash an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Collateral

The Company reports assets it has pledged as collateral in secured borrowings or other arrangements when the secured party cannot sell or repledge the assets or the Company can substitute collateral or otherwise redeem it on short notice. The Company generally does not report assets received as collateral in secured lendings and other arrangements because the debtor typically has the right to redeem the collateral on short notice.

Income Tax

The Company utilizes FASB Statement No. 109, *Accounting for Income Taxes*, to account for income taxes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are recognized and measured based on the likelihood of realization of the related future tax benefit. The Company is included in the consolidated federal and state tax returns filed by PWI. The Company calculates its tax liability on a stand-alone basis, at the maximum federal rate of 34% plus an estimated provision for state taxes.

Property and Equipment

Property and equipment are stated at cost and consist primarily of purchased software and furniture and equipment. Depreciation and amortization is generally provided on a straight-line basis using estimated useful lives of three to five years.

Cash Equivalents

The Company considers cash equivalents to be highly liquid investments with original maturities at the time of purchase of less than 90 days that are not held for sale in the ordinary course of business.

Fair Value of Financial Instruments

The financial instruments of the Company are reported on the statement of financial condition at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts that represents amounts, in the judgment of management, necessary to adequately absorb losses from and inherent risks in outstanding receivables from customers and correspondents. Provisions made to this allowance are charged to operations based on anticipated recoverability.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

3. Segregated Assets

Cash and securities segregated under federal and other regulations totaled \$83,792,373. Of this amount, \$80,813,775 was segregated for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission, against a requirement of \$70,720,175.

The remaining balance of \$2,978,598 relates to the Company's election to compute a reserve requirement for Proprietary Accounts of Introducing Broker-Dealers (PAIB) calculation, as defined. The PAIB calculation is completed in order for each correspondent firm that uses the Company as its clearing broker-dealer to classify its assets held by the Company as allowable assets in the correspondent's net capital calculation. At June 30, 2006, the Company had no reserve requirement as a result of the PAIB calculation.

4. Receivable from Customers and Non-Customers

Accounts receivable from and accounts payable to customers and non-customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for margin loans made to customers. Such collateral is not reflected on the statement of financial condition.

5. Securities Owned

Securities owned consist of equity investments made in publicly traded equities and government securities, as well as investments in certificates of deposit, each with an original maturity of greater than 90 days.

6. Payable to Banks

As of June 30, 2006, the Company's short-term bank loans consist of four lines of credit. Two of the lines of credit permit the Company to borrow in aggregate up to \$400,000,000. The third and fourth lines of credit have no stated borrowing capacity.

The Company had \$4,308,198 outstanding at June 30, 2006, under its existing lines of credit recorded in firm loans payable to banks and customer loans payable to banks in the statement of financial condition. Borrowings under these agreements bear interest at a rate that varies with the federal funds rate, which approximated 6% at June 30, 2006. They are secured by customers' securities on margin and non-customer securities, and are repayable on demand.

7. Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company is included in the consolidated federal and state tax returns filed by PWI. Therefore, the deferred tax asset is included in receivable from parent at June 30, 2006.

8. Transactions with Related Parties

At June 30, 2006, the Company had a receivable of \$7,579,488 from SAI for payments made by the Company on behalf of SAI to support the operations of SAI and its affiliated companies. The balance is non-interest bearing and has no fixed terms of repayment.

9. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company purchases and sells securities as both principal and agent. If another party to the transaction fails to fulfill its contractual obligation, the Company may incur a loss if the market value of the security is different from the contract amount of the transaction.

The Company deposits customers' margin securities with lending institutions as collateral for borrowings. If a lending institution does not return a security, the Company may be obligated to purchase the security in order to return it to the customer. In such circumstances, the Company may incur a loss equal to the amount by which the market value of the security exceeds the value of the loan from the institution.

In the event a customer or broker fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's or broker's obligations. The Company seeks to control the risks associated with its customer or broker activities by requiring customers and brokers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires customers or brokers to deposit additional collateral or to reduce positions when necessary.

The Company's policy is to regularly monitor its market exposure and counterparty risk. The Company does not anticipate nonperformance by counterparties and maintains a policy of reviewing the credit standing of all parties, including customers, with which it conducts business. For customers introduced on a fully disclosed basis by other broker-dealers, the Company has the contractual right of recovery from such introducing broker-dealers in the event of nonperformance by the customer. In the event the customer or introducing broker does not perform, the Company is at risk of loss.

10. Profit Sharing Plan

The Company sponsors a defined contribution 401(k) profit sharing plan (the Plan) that covers substantially all employees. Under the Plan, the Company may make a discretionary contribution determined by the Board of Directors. All employees are eligible to participate in the Plan, based on meeting certain age and term of employment requirements.

11. Commitments and Contingencies

The Company has obligations under operating leases with initial noncancelable terms in excess of one year. Approximate future rentals for office space and furniture and equipment at June 30, 2006, are approximately \$1,162,698 in 2006; \$2,205,075 in 2007; and \$4,675,995 thereafter.

The Company is named in various legal matters arising in the ordinary course of business. Management does not believe the resolutions of these matters will have a material impact on the Company's financial condition.

12. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debit balances, as defined in the SEC's Reserve Requirement Rule (Rule 15c3-3). At June 30, 2006, the Company had net capital of \$137,731,856 and was \$117,048,337 in excess of its required net capital of \$20,683,519.