

May 17/13



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Washington, D.C. 20549

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JAN 04 2010
Washington, DC
121

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

SEC FILE NUMBER
8-12429

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 11/01/08 AND ENDING 10/31/09
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: James C. Butterfield, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

111 East Michigan Avenue

(No. and Street)

Jackson

MI

49201

(City)

(State)

(Zip Code)

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

Alexander James Butterfield

517-787-5000

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Willis & Jurasek, PC

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

2545 Spring Arbor Road, Suite 200

Jackson

MI

49203

(Address)

(City)

(State)

(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)

May 14

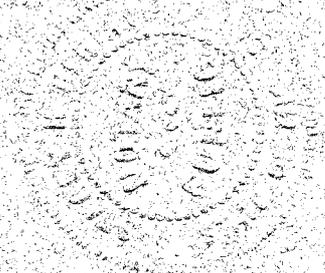
OATH OR AFFIRMATION

I, Alexander James Butterfield, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of James C. Butterfield, Inc., as of October 31, 2009, 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:

STACEY M. HERMAN
NOTARY PUBLIC, Jackson County, MI
My Commission Expires Sept. 18, 2014
Acting in Jackson County

Stacey M. Herman
Notary Public

Alex James Butter
Signature
President
Title



This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' 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.

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

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James C. Butterfield, Inc.
111 E. Michigan Avenue
Jackson, Michigan 49201

We have audited the answers to the FOCUS Report - Part IIA of James C. Butterfield, Inc. as of October 31, 2009. Our audit was made in accordance with auditing standards generally accepted in the United States of America and with the auditing requirements prescribed by the Securities and Exchange Commission; accordingly, it included a review of the accounting system and control structure (including the procedures for safeguarding securities), and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying FOCUS Report - Part IIA of James C. Butterfield, Inc. at October 31, 2009, presents fairly the information required in the form prescribed by the Securities and Exchange Commission in conformity with accounting principles generally accepted in the United States of America.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

November 18, 2009

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Suite 200
Jackson, MI 49203-3690

Phone Number: (517) 788-8660
Fax Number: (517) 788-9872
E-Mail: willis@willispc.com
Web site: www.willispc.com

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
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hours per response..... 12.00

Form
X-17A-5

FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) 16

2) Rule 17a-5(b) 17

3) Rule 17a-11 18

4) Special request by designated examining authority 19

5) Other 26

NAME OF BROKER-DEALER

James C. Butterfield, Inc. 13

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

111 East Michigan Avenue 20

(No. and Street)

Jackson 21

MI

22

49201 23

(City)

(State)

(Zip Code)

SEC FILE NO.

8-12429 14

FIRM I.D. NO.

462 15

FOR PERIOD BEGINNING (MM/DD/YY)

11/01/08 24

AND ENDING (MM/DD/YY)

10/31/09 25

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

Alexander James Butterfield 30

(Area Code) — Telephone No.

517-787-5000 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

32

33

34

35

36

37

38

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 23 day of December 2009

Manual signatures of:

1) Alexander James Butterfield
Principal Executive Officer or Managing Partner

2) Alexander James Butterfield
Principal Financial Officer or Partner

3) Alexander James Butterfield
Principal Operations Officer or Partner

ATTENTION — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

Willis & Jurasek, PC

70

ADDRESS

2545 Spring Arbor Road

Suite 200

71

Jackson

72

MI

73

49203

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States
or any of its possessions

77

FOR SEC USE

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DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER

James C. Butterfield, Inc.

N3

100

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 10/31/09 99
 SEC FILE NO. 8-12429 98
 Consolidated 198
 Unconsolidated 199

	Allowable		Non-Allowable		Total
1. Cash	\$ 48,167	200			\$ 48,167 750
2. Receivables from brokers or dealers:					
A. Clearance account	7,050	295			
B. Other	4,041	300			
3. Receivable from non-customers		355	\$ 44,066	550	55,157 810
4. Securities and spot commodities owned at market value:				600	830
A. Exempted securities		418			
B. Debt securities		419			
C. Options		420			
D. Other securities	179,304	424			
E. Spot commodities	179,304	430			
5. Securities and/or other investments not readily marketable:					179,304 850
A. At cost $\frac{1}{2}$ \$		130			
B. At estimated fair value		440		610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities \$		460		630	880
B. Other securities \$		150			
7. Secured demand notes: Market value of collateral:					
A. Exempted securities \$		170			
B. Other securities \$		180			
8. Memberships in exchanges:					
A. Owned, at market \$		190			
B. Owned, at cost				650	
C. Contributed for use of the company, at market value				660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480		670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		490	160,110	680	160,110 920
11. Other assets		535		735	930
12. TOTAL ASSETS	\$ 238,562	540	\$ 204,176	740	\$ 442,738 940

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

James C. Butterfield, Inc.

as of 10/31/09

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable	\$ <u>1045</u>	\$ <u>1255</u> ¹³	\$ <u>1470</u>
14. Payable to brokers or dealers:			
A. Clearance account	<u>1114</u>	<u>1315</u>	<u>1560</u>
B. Other	<u>1115</u>	<u>1305</u>	<u>1540</u>
15. Payable to non-customers	<u>1155</u>	<u>1355</u>	<u>1610</u>
16. Securities sold not yet purchased, at market value		<u>1360</u>	<u>1620</u>
17. Accounts payable, accrued liabilities, expenses and other	<u>6,142</u>	<u>1385</u>	<u>6,142</u> <u>1685</u>
18. Notes and mortgages payable:			
A. Unsecured	<u>1210</u>		<u>1690</u>
B. Secured	<u>57,911</u>	<u>1211</u> ¹²	<u>57,911</u> <u>1700</u>
19. E. Liabilities subordinated to claims of general creditors:		<u>1390</u> ¹⁴	
A. Cash borrowings:		<u>1400</u>	<u>1710</u>
1. from outsiders, \$ <u>970</u>			
2. includes equity subordination (15c3-1(d)) of ... \$ <u>980</u>			
B. Securities borrowings, at market value from outsiders \$ <u>990</u>		<u>1410</u>	<u>1720</u>
C. Pursuant to secured demand note collateral agreements		<u>1420</u>	<u>1730</u>
1. from outsiders \$ <u>1000</u>			
2. includes equity subordination (15c3-1(d)) of ... \$ <u>1010</u>			
D. Exchange memberships contributed for use of company, at market value		<u>1430</u>	<u>1740</u>
E. Accounts and other borrowings not qualified for net capital purposes			
20. TOTAL LIABILITIES	\$ <u>64,053</u> <u>1220</u>	\$ <u>1440</u> <u>1450</u>	\$ <u>64,053</u> <u>1750</u> <u>1760</u>
Ownership Equity			
21. Sole Proprietorship			<u>1770</u>
22. Partnership (limited partners)	¹¹ (\$ <u>1020</u>)		¹⁵ \$ <u>1780</u>
23. Corporation:			
A. Preferred stock			<u>1791</u>
B. Common stock			<u>32,949</u> <u>1792</u>
C. Additional paid-in capital			<u>21,104</u> <u>1793</u>
D. Retained earnings			<u>324,632</u> <u>1794</u>
E. Total			<u>378,685</u> <u>1795</u>
F. Less capital stock in treasury			<u>1796</u>
24. TOTAL OWNERSHIP EQUITY			¹⁶ \$ <u>378,685</u> <u>1800</u>
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ <u>442,738</u> <u>1810</u>

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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER **James C. Butterfield, Inc.**

as of 10/31/09

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	378,685	3480
2. Deduct ownership equity not allowable for Net Capital			3490
3. Total ownership equity qualified for Net Capital	19	()	3500
4. Add:		378,685	3500
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$		3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C)	17	\$ 204,176	3540
B. Secured demand note delinquency			3590
C. Commodity futures contracts and spot commodities - proprietary capital charges			3600
D. Other deductions and/or charges			3610
7. Other additions and/or allowable credits (List)		(204,176)	3620
8. Net capital before haircuts on securities positions			3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):	20	\$	174,509 3640
A. Contractual securities commitments		\$	3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Exempted securities			3735
2. Debt securities			3733
3. Options			3730
4. Other securities		19,829	3734
D. Undue Concentration		771	3650
E. Other (List)			3736
		(20,600)	3740
10. Net Capital	\$	153,909	3750

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

James C. Butterfield, Inc.

as of 10/31/09

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6% of line 19)	\$	4,271	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	50,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	50,000	3760
14. Excess net capital (line 10 less 13)	\$	103,909	3770
15. Excess net capital at 100% (line 10 less 10% of line 19)	\$	147,504	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.L. liabilities from Statement of Financial Condition	\$	64,053	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	
18. Total aggregate indebtedness	\$	64,053	3830
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10)	%	40	3840
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%		3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debts	\$		3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
23. Net capital requirement (greater of line 21 or 22)	\$		3760
24. Excess capital (line 10 less 23)	\$		3910
25. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000	\$		3920

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6% of aggregate indebtedness or 4% of aggregate debts if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER James C. Butterfield, Inc.

For the period (MMDDYY) from 04/11/08 3932 to 10/31/09 3933
 Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$ 8,907		3935
b. Commissions on listed option transactions			3938
c. All other securities commissions	3,242		3939
d. Total securities commissions	12,149		3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			3945
b. From all other trading			3949
c. Total gain (loss)			3950
3. Gains or losses on firm securities investment accounts	(3,272)		3952
4. Profit (loss) from underwriting and selling groups			3955
5. Revenue from sale of investment company shares	60,861		3970
6. Commodities revenue			3990
7. Fees for account supervision, investment advisory and administrative services			3975
8. Other revenue	477,171		3995
9. Total revenue	\$ 546,909		4030

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers			
11. Other employee compensation and benefits	298,451		4120
12. Commissions paid to other broker-dealers	84,230		4115
13. Interest expense			4140
a. Includes interest on accounts subject to subordination agreements	4070		4075
14. Regulatory fees and expenses	4,770		4195
15. Other expenses	148,739		4100
16. Total expenses	\$ 536,190		4200

NET INCOME

17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16)			
18. Provision for Federal income taxes (for parent only)	10,719		4210
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above	952		4220
a. After Federal income taxes of	4338		4222
20. Extraordinary gains (losses)			4224
a. After Federal income taxes of	4239		4225
21. Cumulative effect of changes in accounting principles			4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$ 9,767		4230

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items			
			4211

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **James C. Butterfield, Inc.**

For the period (MMDDYY) from 11/01/08 to 10/31/09

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period	\$	368,918	4240
A. Net income (loss)		9,767	4250
B. Additions (Includes non-conforming capital of	\$	4262	4260
C. Deductions (Includes non-conforming capital of	\$	4272	4270
2. Balance, end of period (From item 1800)		\$	378,685
			4290

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period	\$		4300
A. Increases			4310
B. Decreases			4320
4. Balance, end of period (From item 3520)		\$	4330

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER James C. Butterfield, Inc. as of 10/31/09

EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 4550
- B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained 4560
- C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.
Name of clearing firm³⁰ 4335 4570
- D. (k)(3) — Exempted by order of the Commission (Include copy of letter) 4580

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)	
31	4600	4601	4602	4603	4604	4605
32	4610	4611	4612	4613	4614	4615
33	4620	4621	4622	4623	4624	4625
34	4630	4631	4632	4633	4634	4635
35	4640	4641	4642	4643	4644	4645
			Total \$ ³⁶	4699		

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

- | | |
|-------------------------|--------------------------|
| WITHDRAWAL CODE: | DESCRIPTIONS |
| 1. | Equity Capital |
| 2. | Subordinated Liabilities |
| 3. | Accruals |

James C. Butterfield, Inc.

Financial Statements
and Independent Auditors' Report

Period Ended October 31, 2009

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Notes to Financial Statements.....	6 – 8
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Independent Auditors' Report

Board of Directors
James C. Butterfield, Inc.
Jackson, Michigan

We have audited the accompanying statement of financial condition of James C. Butterfield, Inc. as of October 31, 2009, and the related statements of income, retained earnings and cash flows for the ten months then ended. 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 the financial position of James C. Butterfield, Inc. as of October 31, 2009, and the results of its operations and its cash flows for the ten months then ended in conformity with accounting principles generally accepted in the United States of America.

We have compiled the accompanying statement of financial condition of James C. Butterfield, Inc. as of December 31, 2008, and the related statements of income, retained earnings and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements as of December 31, 2008 and, accordingly, do not express an opinion or any other form of assurance on them.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

November 18, 2009

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Suite 200
Jackson, MI 49203-3690

Phone Number: (517) 788-8660

Fax Number: (517) 788-9872

E-Mail: willis@willispc.com

Web site: www.willispc.com

James C. Butterfield, Inc.
 Statements of Financial Condition
 October 31, 2009 and December 31, 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current Assets:		
Cash	\$ 48,167	\$ 27,210
Commissions receivable	55,157	47,143
Securities owned - at market value	179,304	169,993
Refundable income tax	-	4,300
Total current assets	282,628	248,646
Property and Equipment:		
Equipment	19,826	17,462
Leasehold improvements	170,115	170,115
Auto	11,000	11,000
	200,941	198,577
Less: accumulated depreciation	(40,831)	(35,642)
Total property and equipment	160,110	162,935
	\$ 442,738	\$ 411,581
<u>Liabilities and Stockholders' Equity</u>		
Current Liabilities:		
Current portion of long-term debt	\$ 16,000	\$ 70,341
Accrued expenses	142	12,482
Accrued income tax	6,000	-
Total current liabilities	22,142	82,823
Long-Term Debt:		
Note payable - bank	57,911	70,341
Less: current portion	(16,000)	(70,341)
Total long-term debt	41,911	-
Stockholders' Equity:		
Common stock-\$1.00 par value; authorized 50,000 shares; issued and outstanding 32,949 shares	32,949	32,949
Capital in excess of par value	21,104	21,104
Retained earnings	324,632	274,705
Total stockholders' equity	378,685	328,758
	\$ 442,738	\$ 411,581

See Accountants' Report and Accompanying Notes to Financial Statements.

James C. Butterfield, Inc.

Statements of Income

Ten Months Ended October 31, 2009 and Year Ended December 31, 2008

	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Income:				
Commissions - agency	\$ 9,585	2.1	\$ 27,234	3.9
Commissions - mutual funds	58,679	12.7	99,969	14.3
Insurance products	90,713	19.7	102,499	14.7
Management fees	300,001	65.2	462,571	66.3
Other income	1,374	0.3	5,080	0.7
Total income	460,352	100.0	697,353	100.0
Expenses:				
Salaries and wages	267,819	58.2	423,270	60.7
Payroll taxes	19,289	4.2	22,766	3.3
Group insurance and medical	12,825	2.8	20,195	2.9
Retirement	330	0.1	12,442	1.8
Auto expenses	8,222	1.8	-	-
Promotion and entertainment	36,590	7.9	59,671	8.6
Dues and subscriptions	1,971	0.4	6,057	0.9
Telephone	7,509	1.6	11,343	1.6
Office expense	15,251	3.3	19,773	2.8
Postage	1,853	0.4	5,174	0.7
Legal and accounting	12,300	2.7	13,955	2.0
Insurance	5,498	1.2	7,004	1.0
Computer expense	262	0.1	2,207	0.3
Training and seminars	1,743	0.4	705	0.1
Utilities	2,538	0.6	10,035	1.4
Travel	-	-	10,549	1.5
Rent	10,000	2.2	11,000	1.6
Depreciation	5,190	1.1	6,480	0.9
Corporate taxes	6,077	1.3	14,136	2.0
Total expenses	415,267	90.2	656,762	94.2
Income from Operations	45,085	9.8	40,591	5.8
Other Income (Expense):				
Investment income	13	-	142	-
Interest expense	(3,531)	(0.8)	(5,103)	(0.7)
Unrealized gain/(loss)	9,311	2.0	(79,094)	(11.3)
Total other income (expense)	5,793	1.3	(84,055)	(12.1)
Income (Loss) Before Provision for Income Taxes	50,878	11.1	(43,464)	(6.2)
Provision for Income Taxes	952	0.2	-	-
Net Income (Loss)	\$ 49,926	10.8	\$ (43,464)	(6.2)

See Accountants' Report and Accompanying Notes to Financial Statements.

James C. Butterfield, Inc.

Statements of Retained Earnings

Ten Months Ended October 31, 2009 and Year Ended December 31, 2008

	<u>2009</u>	<u>2008</u>
Balance - Beginning of Period	\$ 274,706	\$ 318,170
Net Income (Loss) for the Period	<u>49,926</u>	<u>(43,464)</u>
Balance - End of Period	<u>\$ 324,632</u>	<u>\$ 274,706</u>

See Accountants' Report and Accompanying Notes to Financial Statements.

James C. Butterfield, Inc.

Statements of Cash Flows

Ten Months Ended October 31, 2009 and Year Ended December 31, 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities:		
Net income	\$ 49,926	\$ (43,464)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,190	6,480
Unrealized (gain) loss on investments, net	(9,311)	79,094
Changes in current assets and liabilities:		
(Increase) decrease in commissions receivable	(8,014)	11,592
(Increase) decrease in refundable income tax	4,300	3,000
Increase (decrease) in accrued expenses	(6,340)	(19,199)
Net cash provided (used) by operating activities	<u>35,751</u>	<u>37,503</u>
Cash Flows From Investing Activities:		
Payments on long-term debt	(12,430)	(14,050)
Cash payments for the purchase of property	(2,364)	(2,060)
Net cash provided (used) by investing activities	<u>(14,794)</u>	<u>(16,110)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,957	21,393
Cash and Cash Equivalents at Beginning of Period	<u>27,210</u>	<u>5,817</u>
Cash and Cash Equivalents at End of Period	<u>\$ 48,167</u>	<u>\$ 27,210</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest expense	<u>\$ 3,577</u>	<u>\$ 4,323</u>
Income taxes	<u>\$ 2,000</u>	<u>\$ 6,597</u>

See Accountants' Report and Accompanying Notes to Financial Statements.

James C. Butterfield, Inc.
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Nature of Business

The Company operates one office and serves primarily the Jackson, Michigan area. The primary source of revenue is providing brokerage services to customers, who are predominately small and middle-market businesses and middle to high income individuals.

Basis of Accounting

The Company's policy is to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America under the accrual basis of accounting. The accrual basis of accounting records revenue in the period in which it is earned rather than received and records expenses in the period in which incurred rather than when paid.

Security transactions (and related commission revenue and expense) are recorded on a trade date basis. Securities owned by the Company are stated at market quotation value.

Cash Equivalents

The Company considers all highly-liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

The Company maintains its deposits at financial institutions, which at times may exceed federally insured limits.

Commissions Receivable

Receivables arising from commissions earned are accounted for on the accrual basis and become past due after 30 days. The Company considers commissions receivable to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded in the financial statements.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using accelerated and straight-line methods for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Equipment	5 - 7
Leasehold improvements	7 - 39
Auto	5 - 7

Maintenance and repairs, including replacement of minor items, are charged to expense, and major additions to property and equipment are capitalized.

Minimum Capital Requirements

Under rules prescribed by the Securities and Exchange Commission, the ratio of the firm's "aggregate indebtedness" to "net capital" (as those terms are defined in the rules) must not exceed 15 to 1. At October 31, 2009, the ratio of aggregate indebtedness to net capital was approximately .42 to 1. The firm's net capital as of October 31, 2009 is \$153,909, and exceeds the required net capital of \$50,000 by \$103,909.

James C. Butterfield, Inc.
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies (Continued)

Investment Advisor Requirements - The "Brochure Rule"

To comply with SEC rules, the Company offers a written disclosure statement (brochure) delivered without charge upon request.

Income Taxes

It is the Company's practice to provide currently for federal income tax based upon the results of operations for the current year with income and expense items being reported for tax purposes the same as they are for financial statement purposes.

Deferred income taxes are provided for temporary differences between the basis of the Company's assets and liabilities for financial reporting and income taxes under generally accepted accounting principles. The Company has determined that these amounts are immaterial and no deferred tax is provided for at this time.

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 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.

Note 2 - Securities Owned

The Company records its investment in securities at market, listed as follows:

<u>Shares or Bonds</u>		<u>Market Value at October 31, 2009</u>
1,371.117	Pioneer Mid Cap Value Fund	\$ 23,185
1,102.012	Pioneer Independence Fund	9,951
1,370.017	Templeton Growth Fund	21,756
1,292.814	Mutual Discovery Fund	33,730
522.654	Franklin Small-Mid Cap Growth Fund	13,751
54,355.970	Galaxy Money Market Fund	54,356
1,250.000	The NASDAQ Stock Market, Inc.	<u>22,575</u>
		<u>\$179,304</u>

James C. Butterfield, Inc.
Notes to Financial Statements

Note 3 - Long-Term Liabilities

	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note payable – Bank – secured by trust assets; payments of \$1,596 per month including interest at 6.50%; due March 2013	\$ <u>16,000</u>	\$ <u>41,911</u>

Note 4 - Rents and Related-Party Transactions

The Company leases its office facility from a related party for approximately \$1,000 per month. Rent expense for the period ended October 31, 2009 and the year ended December 31, 2008 was \$10,000 and \$11,000, respectively.

Note 5 - Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, receivables and accounts payable approximates fair value due to the short-term maturities of those instruments.

Note 6 - Securities and Exchange Commission Report

Part IIA of the Company's October 31, 2009, Securities and Exchange Commission Report, Form X-17A-5, is available for examination and copying at 111 East Michigan Avenue, Jackson, Michigan or at the Chicago, Illinois office of the Securities and Exchange Commission.

Note 7 - Year-End for Tax and Audit

The Company has a calendar year-end for book and tax purposes and an October 31st year-end for audit purposes.

Note 8 - Retirement Savings Plan

The Company's retirement plan is a defined contribution plan under the Internal Revenue Code Section 401(k). The plan covers substantially all full-time employees. Company contributions to the plan are determined annually by the Board of Directors. The Company reserves the right to modify, amend or terminate the plan even though the plan is expected to continue indefinitely. Contributions for the period ended October 31, 2009 were \$330 and for the year ended December 31, 2008 were \$12,442.

Note 9 - Revenue Concentration

The Company received approximately 52% of its management fee revenue from one investment company for the ten months ended October 31, 2009.

Note 10 - Reclassifications

Reclassifications, if any, have been made to conform prior year information to current year presentation. The reclassifications, if any, had no change on income.

James C. Butterfield, Inc.
Reconciliation of Ownership Equity in Financial Statements
with Focus Report Part IIA
Period Ended October 31, 2009

	<u>Amount</u>
Ownership Equity - Financial Statements	<u>\$ 378,685</u>
Ownership Equity - Focus Report Part IIA	<u>\$ 378,685</u>



November 18, 2009

James C. Butterfield, Inc.
111 E. Michigan Avenue
Jackson, Michigan 49201

Gentlemen:

In planning and performing our audit of the financial statements of James C. Butterfield, Inc., (the Company), as of and for the ten months ended October 31, 2009, 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 compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17-a5(g), for the following areas:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e).
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recording of differences required by Rule 17a-13.
3. 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.
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal controls 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.

WILLIS & JURASEK, P.C.

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Jackson, MI 49203-3690

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Because of inherent limitations in internal control or 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. We consider the following deficiency to be a significant deficiency in internal control:

- Management of the Company prepares interim internal and annual financial statements. The annual financial statements for the period ended October 31, 2009 required relatively few audit adjustments. Management does understand all information included in the financial statements; however, we assist in preparing the footnotes to the annual financial statements. Management proposes no change in this procedure.

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. However, we identified the following deficiencies in internal control that we consider to be material weaknesses, as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures performed in our audit of the financial statements of James C. Butterfield, Inc. as of and for the period ended October 31, 2009, and this report does not affect our report thereon dated November 18, 2009.

- The size of the business necessarily imposes practical limitations on the effectiveness of internal accounting control, procedures for safeguarding securities, and practices and procedures employed quarterly in counting and accounting for securities and in resolving securities differences because all transactions for the purchase and sale of securities are made generally by the owners/officers. There are only two other employees of the Company. Substantially, all accounting and cashing functions are performed by one owner. Security, position record, and the accounting for other securities are performed by this owner/officer. The number of personnel of the Company makes it impossible to have a separation of duties whereby all work of any one individual is independently checked by another individual. The size of the business does permit the owners/officers to have knowledge of all aspects of the business and all accounting records; accordingly, management proposes no change in procedures.

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 October 31, 2009, to meet the SEC's objectives.

James C. Butterfield, Inc.
November 18, 2009
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This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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 these specified parties.

Sincerely,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

James C. Butterfield, Inc.
Statement of Financial Condition
October 31, 2009

<u>Assets</u>		<u>Liabilities and Stockholders' Equity</u>	
Current Assets:		Current Liabilities:	
Cash	\$ 48,169	Current portion of long-term debt	\$ 16,000
Commissions receivable	55,157	Accrued expenses	143
Securities owned (market value)	<u>179,304</u>	Accrued income tax	<u>6,000</u>
Total current assets	<u>282,628</u>	Total current liabilities	<u>22,143</u>
Property and Equipment	160,110	Long-Term Debt, net of current portion	41,911
	<u>\$442,738</u>	Stockholders' Equity	<u>378,685</u>
			<u>\$442,738</u>

Summary of Significant Accounting Policies

Accounting for Security Transactions

Security transactions (and related commission revenue and expense) are recorded on a trade date basis. Securities owned by the Company are stated at market quotation value.

Minimum Capital Requirements

The Company is required to maintain minimum capital as defined in the "net capital" rules of the Securities and Exchange Commission of \$50,000. The ratio of aggregate indebtedness to net capital is not to exceed 15 to 1. At October 31, 2009, the Company's "net capital" was approximately \$153,909 and exceeds the required "net capital" of \$50,000. The ratio of aggregate indebtedness to net capital was approximately 0.42 to 1.

Securities and Exchange Commission Report

Part IIA of the Company's October 31, 2009, Securities and Exchange Commission Report (Form X-17A-5) is available for examination and copying at 111 East Michigan Avenue, Jackson, Michigan, or at the Chicago, Illinois office of the Securities and Exchange Commission.

Investment Advisor Requirements - The "Brochure Rule"

To comply with SEC rules, the Company offers a written disclosure statement (brochure) delivered without charge upon request.

Independent Auditors' Report

James C. Butterfield, Inc.
Jackson, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of financial condition of James C. Butterfield, Inc. as of October 31, 2009, and the related statements of income, retained earnings and cash flows for the ten months then ended (not presented herein); and in our report dated November 18, 2009, we expressed an unqualified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statement is fairly stated in all material respects in relationship to the financial statements from which it has been derived.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

November 18, 2009

James C. Butterfield, Inc.
Jackson, Michigan

Period Ended October 31, 2009

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