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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8- 35381



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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 01/01/09 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: BOSC, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

One Williams Center, Plaza East

(No. and Street)

Tulsa,

(City)

Oklahoma

(State)

74172

(Zip Code)

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

Karen Kreger

(405) 272-2229

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Ernst & Young LLP

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

One Williams Center, Suite 1700

(Address)

(City)

Tulsa, Oklahoma 74172

(State)

(Zip Code)

**CHECK ONE:**

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

SECURITIES AND EXCHANGE COMMISSION  
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AND  
02 EXAMINATIONS

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\*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)

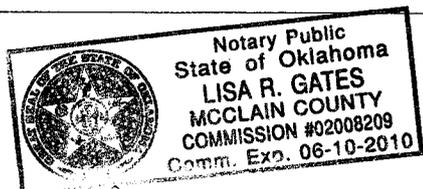
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OATH OR AFFIRMATION

I, Karen Kreger, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BOSC, Inc., as of December 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:



Karen Kreger  
Signature

Financial and Operations Principal  
Title

Lisa R. Gates  
Notary Public

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).

BOSC, Inc.

Financial Statements  
and Supplemental Information

Year Ended December 31, 2009

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors  
BOSC, Inc.

We have audited the accompanying statement of financial condition of BOSC, Inc. (the "Company") as of December 31, 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the year 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included 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 Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BOSC, Inc. at December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III and IV is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ernst & Young LLP*

February 23, 2010

BOSC, Inc.

Statement of Financial Condition

December 31, 2009

**Assets**

Cash	\$ 347,020
Cash and cash equivalents, customer reserve accounts	456,515
Fails-to-deliver	1,527,751
Net receivable for unsettled regular-way trades	2,626,061
Commissions receivable from broker/dealer	3,028,202
Interest receivable	173,843
Prepaid expenses	191,154
Securities, at fair value	21,686,485
Furniture, fixtures, software, and equipment, at cost, less accumulated depreciation of \$991,443	125,271
Notes receivable from employees	990,458
Deferred tax asset	1,148,361
Deposits with third parties	241,200
Margin deposits	500,000
Total assets	<u>\$ 33,042,321</u>

**Liabilities and stockholder's equity**

Accrued operating expenses	\$ 4,046,457
Payable to affiliates	80,790
Notes payable to affiliate	671,378
Fails-to-receive	1,435,859
Total liabilities	<u>6,234,484</u>

Stockholder's equity:

Common stock, \$10 par value – 2,500 shares authorized and issued	25,000
Additional paid-in capital	20,486,832
Retained earnings	6,296,005
Total stockholder's equity	<u>26,807,837</u>
Total liabilities and stockholder's equity	<u>\$ 33,042,321</u>

*See accompanying notes.*

BOSC, Inc.

Statement of Income

Year Ended December 31, 2009

**Revenues:**

Trading gains and losses, net	\$ 20,932,020
Brokerage fees and commissions	20,802,372
Investment banking fees and commissions	6,099,773
Interest income	816,589
Other revenue	22,904
Total operating revenues	<u>48,673,658</u>

**Expenses:**

Interest	44,599
Personnel expense	30,560,802
Business promotion	1,252,146
Clearance fees	752,520
Data processing	936,431
Professional fees	1,142,205
Administrative expense	456,404
Brokerage licensing and registration	336,539
Other losses	303,563
Equipment rental	1,237,662
Depreciation and amortization	69,507
Miscellaneous expenses	291,764
Affiliate allocated expenses	5,964,515
Total operating expenses	<u>43,348,657</u>
Income before income tax provision	5,325,001
Income tax provision	1,860,427
Net income	<u>\$ 3,464,574</u>

*See accompanying notes.*

BOSC, Inc.

Statement of Changes in Stockholder's Equity

Year Ended December 31, 2009

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Par Value			
Balance at January 1, 2009	2,500	\$ 25,000	\$ 20,396,593	\$ 2,831,431	\$ 23,253,024
Net income	-	-	-	3,464,574	3,464,574
Capital provided by stock-based compensation	-	-	81,476	-	81,476
Tax benefit on exercise of stock options	-	-	8,763	-	8,763
Balance at December 31, 2009	2,500	\$ 25,000	\$ 20,486,832	\$ 6,296,005	\$ 26,807,837

See accompanying notes.

# BOSC, Inc.

## Statement of Cash Flows

Year Ended December 31, 2009

<b>Operating activities</b>	
Net income	\$ 3,464,574
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation and amortization	69,507
Tax benefit on exercise of stock options	(8,763)
Stock-based compensation	81,476
(Increase) decrease in operating assets:	
Cash and cash equivalents, customer reserve accounts	(471)
Fails-to-deliver	2,551,881
Net receivable for unsettled regular-way trades	10,675,664
Commissions receivable from broker/dealer	(556,186)
Interest receivable	37,788
Prepaid expenses	(41,379)
Securities, at fair value	(8,714,523)
Notes receivable from employees	(247,958)
Deferred tax asset	(94,060)
Deposits with third parties	(123,300)
Increase (decrease) in operating liabilities:	
Accrued operating expenses	(174,826)
Payable to affiliates	319,261
Notes payable to affiliate	(4,523,037)
Fails-to-receive	(2,751,164)
Net cash used by operating activities	<u>(35,516)</u>
<b>Investing activities</b>	
Purchases of furniture, fixtures, and equipment	(167,498)
Disposal of furniture, fixture, and equipment, net	157,633
Net cash used by investing activities	<u>(9,865)</u>
<b>Financing activities</b>	
Tax benefit on exercise of options	8,763
Net cash provided by financing activities	<u>8,763</u>
Net decrease in cash	(36,618)
Cash at beginning of year	383,638
Cash at end of year	<u>\$ 347,020</u>
<b>Supplemental disclosure of cash flow information</b>	
Cash paid for interest	<u>\$ 48,543</u>
Cash paid for taxes	<u>\$ 2,622,480</u>

# BOSC, Inc.

## Notes to Financial Statements

December 31, 2009

### **1. Organization and Description of Business**

BOSC, Inc. (“BOSC” or “the Company”), a wholly owned subsidiary of BOK Financial Corporation (“BOKF”), is a registered investment adviser with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. BOSC is registered as a broker/dealer with the SEC under the Securities Exchange Act of 1934 (“the Act”) and is a member of the Financial Industry Regulatory Authority (“FINRA”). BOSC is a general securities broker/dealer, clearing all transactions on a fully disclosed basis through its clearing entities. BOSC is also registered as a broker/dealer in and is regulated by all fifty states and exercises authority under Section 4(k) of the Bank Holding Company Act.

BOSC is a full-service securities firm which engages in investment banking, trading and underwriting, and retail and institutional securities sales. BOSC offers mutual funds, unit investment trusts, variable annuities, fixed-income securities, equity securities, and financial advisory services. Financial consultants use a network of branch offices located primarily within BOKF-affiliated banks centered in Oklahoma and Arkansas, along with Texas, New Mexico, Kansas, Colorado, and Arizona. As a bank-affiliated broker/dealer, BOSC is required to disclose to clients and potential clients its relationship with BOKF and that investments (1) are not insured by the Federal Deposit Insurance Corporation (“FDIC”), (2) are not deposits or other obligations of and are not guaranteed by any bank or bank affiliate, and (3) are subject to risks, including possible loss of principal invested.

BOSC does not maintain custody of customer funds and securities. While BOSC is a clearing broker/dealer, it currently uses two clearing entities—Pershing, LLC (“Pershing”), a wholly owned subsidiary of Bank of New York Mellon; and Bank of Oklahoma, N.A. (“BOK”), a wholly owned subsidiary of BOKF—for custody of customer funds and securities. BOSC’s retail securities transactions are executed and customer accounts are carried on a fully disclosed basis with Pershing. Fixed-income trades are cleared through BOK on a fully disclosed clearing basis.

### **2. Significant Accounting Policies**

#### **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 amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing the financial statements are reasonable and prudent. Actual results could differ from those estimates.

# BOSC, Inc.

## Notes to Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

#### **Cash**

Cash as of December 31, 2009, includes \$344,739 on deposit with BOK and excludes customer reserve accounts.

#### **Cash and Cash Equivalents, Customer Reserve Accounts**

As required by Rule 15c3-3 of the Act, BOSC segregates assets into special customer reserve accounts. As of December 31, 2009, these assets totaling \$456,515 consisted of \$156,561 in cash on deposit with BOK and cash equivalents of \$299,954 invested in a U.S. Treasury bill. BOSC considers all short-term, highly liquid investments with an original maturity when acquired of 90 days or less to be cash equivalents. See Note 7, Financial Instruments, for further discussion on financial instrument valuation.

#### **Depreciation and Amortization**

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets. The majority of the assets are software and furniture, the estimated useful lives of which range from three to ten years.

#### **Net Receivable for Unsettled Regular-way Trades**

Securities transactions are recorded on the trade date. Trading gains and losses arising from securities transactions entered into for the account and risk of BOSC are recorded on a trade 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.

#### **Fails-to-deliver and Fails-to-receive**

Funds due or payable for trades that do not settle on the contractual settlement date are reclassified from the net receivable for unsettled regular-way trades to failed trade recognition. Funds due for sold securities are reflected as fails-to-deliver, and funds owed for purchased securities are reflected as fails-to-receive.

# BOSC, Inc.

## Notes to Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

#### **Commissions Receivable from Broker/Dealer**

BOSC has receivables related to commissions earned from the sales of investment and insurance products. BOSC may reserve for uncollectible accounts based on an aging analysis and estimated collectability of those receivables. No reserve was recorded at December 31, 2009. Amounts not collected after 90 days are generally written off.

#### **Other Borrowings**

BOSC has the ability to borrow funds from the Bank of New York Mellon using a day loan bearing an interest rate of 1% to facilitate funding of investment banking activities. The amount able to be borrowed is undefined and is determined by the investment banking activity being underwritten. Any outstanding amounts under this day loan are collateralized by the securities being underwritten and held by BOSC. No amount was outstanding at December 31, 2009.

#### **Securities, at Fair Value**

Securities are acquired for profit through resale and are carried at fair value with the unrealized gains and losses included in current period earnings. Realized gains and losses on sales of securities are based upon the cost of the specific security sold. The purchase or sale of securities is recognized on a trade date basis. See "Net Receivable for Unsettled Regular-way Trades" above, and Note 7 for further discussion.

#### **Derivative Contracts**

BOSC periodically acts as principal on the purchase and sale of certain forward contracts. The contracts are reflected at their fair value, with the unrealized gain reflected in earnings. There were no outstanding contracts as of December 31, 2009.

#### **Revenue Recognition**

BOSC receives a percentage of commissions that the clearing broker/dealer charges its customers, as described in the clearing contract. The agreement with Pershing requires BOSC to indemnify it for uncollected amounts relating to customers introduced by BOSC. See Note 8 for more information about the indemnification.

# BOSC, Inc.

## Notes to Financial Statements (continued)

### **2. Significant Accounting Policies (continued)**

Fees and commissions earned for security trades are recorded on a trade-date basis.

Commissions on sales of annuities and insurance products are recorded when the contracts are accepted by the insurance companies.

Investment banking fees and commissions include gains, losses, and underwriting fees, net of syndicate expenses, arising from securities in which BOSC acts as underwriter. Investment banking revenue also includes fees earned from providing financial advisory services and structured financing services. Revenue is recognized at the time the underwriting or service is complete and the income is reasonably determinable.

### **Notes Receivable from Employees**

BOSC grants loans to certain employees as part of their compensation package. The loans are for periods up to six years and, unless forgiven, require annual payments of principal and interest. Interest is based on the prime rate. The annual principal and interest due may be forgiven if the employee meets certain performance criteria. The outstanding loan balances are reduced and compensation expense is recognized as employees meet performance criteria and principal and interest are forgiven.

### **Effect of Recently Issued Statements of Financial Accounting Standards**

Financial Accounting Standards Board ("FASB") Staff Position No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That are Not Orderly* ("FSP 157-4")

FSP 157-4 was codified by the FASB into Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*. It was issued April 9, 2009, to provide guidance for determining fair value when there is no active market or where price inputs represent distressed sales. It reaffirms the fair value measurement objective that fair value represents how much an asset would be sold for in an orderly transaction under current market conditions. The guidance was effective for interim and annual periods ending after June 15, 2009. Early adoption for interim and annual periods ending after March 15, 2009, was permitted. BOSC adopted this guidance as of March 31, 2009. It did not have a significant impact on BOSC's financial statements.

# BOSC, Inc.

## Notes to Financial Statements (continued)

### 2. Significant Accounting Policies (continued)

ASC 855, *Subsequent Events* (formerly Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events*)

On May 28, 2009, the FASB issued SFAS No. 165 to provide authoritative accounting guidance on management's assessment of subsequent events. SFAS No. 165 was codified by the FASB into ASC 855 which incorporates existing U.S. auditing literature and clarifies that management is responsible for evaluating, as of each reporting period, events or transactions that occur after the balance sheet date through the date that the financial statements are issued or are available to be issued. ASC 855 was effective for the Company as of June 30, 2009, and did not have a significant impact on the Company's financial statements.

### 3. Net Capital Requirements

BOSC is subject to the SEC Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of a minimum net capital, as therein defined, and requires that the ratio of aggregate indebtedness, defined as total money liabilities of a broker/dealer arising in connection with any transaction subject to certain exclusions, to net capital, shall not exceed fifteen to one.

At December 31, 2009, BOSC's net capital position was as follows:

Net capital	\$ 21,206,938
Net capital required	402,246
Excess capital	<u>\$ 20,804,692</u>
Net capital ratio	<u>28 %</u>

BOSC does not maintain custody of customer funds and securities. While it is a fully disclosed clearing broker/dealer, it uses two clearing entities for custody of customer funds and securities.

### 4. Deposits with Third Parties

Security deposits of \$100,000 as of December 31, 2009, consisted of cash on deposit with Pershing for the purpose of maintaining a fully disclosed clearing arrangement.

## BOSC, Inc.

### Notes to Financial Statements (continued)

#### 4. Deposits with Third Parties (continued)

Underwriting good faith deposits of \$141,200 as of December 31, 2009, are provided to issuers as a guarantee of performance.

#### 5. Margin Deposits

Margin deposits of \$500,000 as of December 31, 2009, consist of cash on deposit against margin with Pershing in the firm preferred stock trading account. BOSC buys and holds preferred stock in a Pershing firm account for the purpose of selling to BOSC customers. The preferred stock is held on margin and as such requires a 50% deposit against the margin balance. The unused portion of the margin balance at Pershing does not currently earn interest.

#### 6. Related-Party Transactions

As of December 31, 2009, payable to affiliates of \$80,790 included a net payable to BOK of \$775,181 for intercompany settlement of certain operating expenses and net income taxes receivable from BOK of \$694,391. BOSC's financial obligations are guaranteed by a pledge of cash collateral by BOKF.

BOSC operating expenses are paid to third parties by BOK. In 2009, BOSC incurred \$5,964,515 of general and administrative expenses allocated to BOSC by, and reimbursable to, BOK. Of this, management fees were \$3,186,984, occupancy costs were \$953,470, communication costs were \$256,260 and other expenses were \$1,567,801.

BOSC is included in the consolidated income tax return filed by the parent, BOKF. Pursuant to a tax sharing agreement between BOSC and BOKF, income taxes are allocated to BOSC on a separate return basis. The amount of current income tax expense or benefit is either remitted to or received from BOKF. As of December 31, 2009, income taxes receivable from an affiliate was \$694,391 and included a receivable of \$722,381 for federal income taxes net of a payable of \$27,990 for state income taxes.

BOSC has two revolving lines of credit with BOK of \$30 million and \$50 million. As of December 30, 2009, the notes payable to affiliate of \$671,378 were funds drawn on the \$30 million line of credit. There was no amount drawn on the \$50 million line of credit. Any outstanding amounts under the \$30 million line are fully collateralized by qualifying securities, which are included in securities owned. Any outstanding amounts under the \$50 million line must be fully collateralized by U.S. Treasuries or securities issued by U.S. agencies. For both lines of credit, interest is based on the 30-day LIBOR rate plus 0.95%, not to fall below 3%, and

# BOSC, Inc.

## Notes to Financial Statements (continued)

### 6. Related-Party Transactions (continued)

is paid monthly. Both lines mature on November 30, 2010. It is anticipated both lines will be renewed with substantially the same terms.

In compliance with applicable regulations, BOSC may provide broker/dealer services for certain executive officers, directors, and affiliates of BOKF (collectively referred to as “related parties”). Transactions with related parties are conducted in the ordinary course of business under substantially the same terms as comparable third-party broker/dealer arrangements.

BOSC is the Distributor of the Cavanal Hill Funds (“the Funds”). Cavanal Hill Investment Management, Inc. serves as the Investment Advisor and Administrator for the Funds and is a subsidiary of BOK. BOK serves as Custodian of the Funds. BOSC received \$13,857 in fees for serving as the Distributor of the Funds as well as a dealer of the Funds.

There were no subordinated borrowings during 2009.

### 7. Financial Instruments

Fair value measurements that are measured on a recurring basis as of December 31, 2009, are as follows:

	Total	Quoted Prices in Active Market for Identical Instruments	Significant Other Observable Inputs	Unobservable Inputs
<b>Assets</b>				
U.S. Treasury bill <sup>(1)</sup>	\$ 299,954	\$ 299,954	\$ -	\$ -
<b>Securities:</b>				
Obligations of the U.S. government or agencies	\$ 126,113	\$ -	\$ 126,113	\$ -
State and municipal obligations	20,278,227	-	17,012,847	3,265,380
Other corporate obligations	1,282,145	1,282,145	-	-
<b>Total securities</b>	<b>\$ 21,686,485</b>	<b>\$ 1,282,145</b>	<b>\$ 17,138,960</b>	<b>\$ 3,265,380</b>

(1) Included as cash and cash equivalents, customer reserve accounts, as disclosed in Note 2.

## BOSC, Inc.

### Notes to Financial Statements (continued)

#### 7. Financial Instruments (continued)

The fair value of financial assets and liabilities that are based on significant other observable inputs are generally determined based on a single price for each financial instrument provided to BOSC by an applicable third-party pricing service and are based on one or more of the following:

- Quoted prices for similar, but not identical, assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable, such as interest rate and yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates; and
- Other inputs derived from or corroborated by observable market inputs.

The underlying methods used by the third-party pricing services are considered in determining the primary inputs used to determine fair values.

The fair value of certain municipal debt securities are based on significant unobservable inputs. These securities are rated below investment grade and are not readily marketable. Independent pricing of these securities was unavailable due to a lack of observable inputs. Inputs used to estimate fair value include limited observed trades, underlying creditworthiness of the issuer, market liquidity and projected cash flows, existing and anticipated market conditions, and a yield comparison to other short-term securities, as rates for these securities are adjustable based on short-term rates. The securities are currently paying in accordance with their respective contractual terms. The fair value of these securities is primarily based on reference to interest rate spreads on comparable securities of similar duration and credit rating as determined by the nationally recognized rating agencies adjusted for a lack of trading volume. They were valued using a spread of 370 to 380 basis points over average yields for comparable municipal securities as of December 31, 2009.

## BOSC, Inc.

### Notes to Financial Statements (continued)

#### 7. Financial Instruments (continued)

The following represents the changes for the year ended December 31, 2009, related to the municipal obligations measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Securities</u>
Balance at December 31, 2008	\$ —
Transfer to significant unobservable inputs	875,000
Purchases, sales, issuances, and settlements, net	2,500,000
Trading loss recognized in earnings	<u>(109,620)</u>
Balance at December 31, 2009	<u>\$ 3,265,380</u>

BOSC is engaged in various trading and brokerage activities in which counterparties primarily include broker/dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, BOSC may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is BOSC's policy to review, as necessary, the credit standing of each counterparty.

#### 8. Commitments and Contingencies

BOSC is an introducing broker to Pershing for equity investment transactions. As such, it has indemnified Pershing against potential losses due to a customer's failure to settle a transaction or to repay a margin loan. Equity transactions are settled within three business days of the trade date. Margin loans are due on demand. All unsettled transactions are collateralized by the security being purchased. Margin loans are secured as required by the Board of Governors of the Federal Reserve Regulation T, *Credit by Brokers and Dealers*. At December 31, 2009, the total amount of customer balances subject to indemnification was \$2,303,656. In accordance with applicable margin lending practices, customer balances are typically collateralized by customer securities or supported by other types of recourse provisions. The fair value of the guarantee is not significant and no amount was recorded on BOSC's statement of financial condition to reflect this contingent liability based on an assessment of probable loss.

In the ordinary course of business, BOSC is subject to legal actions and complaints. Management has appropriately reserved, based upon the opinion of counsel, for any liability or loss, resulting from the final outcome of any such actions and complaints.

# BOSC, Inc.

## Notes to Financial Statements (continued)

### 8. Commitments and Contingencies (continued)

In the normal course of business, BOSC enters into underwriting commitments. Transactions relating to such underwriting commitments that were open at December 31, 2009, and were subsequently settled, had no material effect on the financial statements.

### 9. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of deferred income taxes principally relate to depreciation and amortization, stock based compensation, accrued liabilities and pre-paid expenses. The reconciliation of the income tax provision computed at the U.S. federal statutory tax rate to the effective income tax expense (benefit), for the year ended December 31, 2009, was as follows:

	Amount	Percent
Tax expense at U.S. statutory rate	\$1,862,668	35%
State income tax, net of federal tax benefit	174,262	3
Tax exempt revenue	(228,065)	(4)
Meals and entertainment	61,093	1
Other	(9,531)	-
Total income tax expense	<u>\$1,860,427</u>	<u>35%</u>

## BOSC, Inc.

### Notes to Financial Statements (continued)

#### 9. Income Taxes (continued)

Significant components of the income tax provision for the year ended December 31, 2009, were as follows:

Current:	
Federal	\$1,702,554
State	290,855
Total current	<u>1,993,409</u>
Deferred:	
Federal	(120,731)
State	(12,251)
Total deferred	<u>(132,982)</u>
Total income tax expense	<u>\$1,860,427</u>

Based on the provisions of Accounting Standards Codification (ASC) 740, *Income Taxes*, regarding uncertain tax positions (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*) at December 31, 2009, there were no unrecognized tax benefits.

Federal statute remains open for federal tax returns filed in the previous three reporting periods. Various state income tax statutes remain open for the previous three to six reporting periods.

#### 10. Employee Benefits

BOSC employees who satisfy certain age and service requirements participate in BOKF's defined-benefit cash balance pension plan. Effective April 1, 2006, accruals for service under the pension plan were curtailed. Interest continues to accrue on employees' account balances at 5.25%. Plan assets consist primarily of shares in the Cavanal Hill Balanced Fund. The typical portfolio mix of this fund is approximately 60% equities and 40% bonds. There were no employer contributions to the plan during 2009. At December 31, 2009, the projected benefit obligation exceeded the fair value of plan assets by \$4,891,756. Plan assets are not segregated or restricted to provide benefits solely to BOSC employees. Projected benefit obligation of the plan, which equals accumulated benefit obligations, is not separately determined for BOSC employees.

BOSC employees who satisfy certain service requirements may participate in BOKF's defined-contribution thrift plan. Employee contributions are matched by the Company up to 6% of base

## BOSC, Inc.

### Notes to Financial Statements (continued)

#### **10. Employee Benefits (continued)**

pay. Additionally, a maximum employer-provided, non-elective contribution of up to \$750 is made for employees whose annual base compensation is less than \$40,000. The employer's matching contribution is based on years of service and vests over five years. Participants may direct their investments to a variety of options, including a BOKF common stock fund.

BOSC incurred total expenses of \$2,582,740, included in the allocation of personnel expense, from these plans in 2009.

BOSC's employees may also be awarded stock-based compensation through BOKF's employee stock option plan. Grant date fair value of stock options is based on the Black-Scholes option pricing model. Compensation cost is recognized as expense over the applicable service period. BOKF recognized stock-based compensation expense of \$5,861,639, including \$81,476 that was allocated to BOSC and included in personnel expense.

#### **11. Subsequent Events**

BOSC has evaluated events from the date of the financial statements on December 31, 2009, through the issuance of those financial statements on February 23, 2010. No events were identified requiring recognition and/or disclosure in the financial statements.

# Supplemental Information

## BOSC, Inc.

## Computation of Net Capital Pursuant to Rule 15c3-1

Year Ended December 31, 2009

<b>Net capital</b>	
Stockholder's equity	\$ 26,807,837
Deduct ownership equity not allowable for net capital	—
Total ownership equity qualified for net capital	<u>26,807,837</u>
<b>Nonallowable assets:</b>	
Prepaid expenses	191,154
Notes receivable from employees	990,458
Commissions receivable	727,258
Fixed assets	125,271
Federal income taxes receivable	722,381
Deferred tax asset	1,148,361
Other assets	145,969
Total nonallowable assets	<u>4,050,852</u>
Aged fails-to-deliver deduction	24,335
Net capital before haircuts	<u>22,732,650</u>
Haircuts on securities	(1,525,712)
Net capital	<u><u>\$ 21,206,938</u></u>
<b>Computation of basic net capital requirement</b>	
Minimum net capital required (1/15 of aggregate indebtedness)	\$ 402,246
Minimum dollar net capital requirement	<u>\$ 250,000</u>
Net capital requirement	<u>\$ 402,246</u>
Excess net capital	<u><u>\$ 20,804,692</u></u>
<b>Computation of aggregate indebtedness</b>	
Total aggregate indebtedness	\$ 6,033,694
Deduct adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	—
Total aggregate indebtedness	<u>\$ 6,033,694</u>
Percentage of aggregate indebtedness to net capital	<u><u>28%</u></u>

There are no material differences between the Company's computation included in this report and the corresponding schedule included in the Company's unaudited December 31, 2009, Part II FOCUS report.

## BOSC, Inc.

Computation for Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission

Year Ended December 31, 2009

Credit balances:	
Free credit balances and other credit balances in customers' security accounts	\$ 72,479
Monies borrowed collateralized by securities carried for the accounts of customers	—
Monies payable against customers' securities loaned	—
Customers' securities failed to receive	\$ 415,569
Credit balances in firm accounts that are attributable to principal sales to customers	—
Market value of short security count differences over 30 calendar days old	—
Market value of short securities and credits in all suspense accounts over 7 business days	—
Other	—
Total credits	<u>\$ 488,048</u>
Debit balances:	
Debit balances in customers' accounts	419,815
Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver	—
Failed to deliver of customers' securities not older than 30 calendar days	73,179
Total debits	<u>492,994</u>
Excess of total debits over total credits	<u>\$ 4,946</u>

## Reserve computation:

Excess of total credits over total debits	<u>\$ —</u>
Amount on deposit	<u>\$ 456,515</u>

There are no material differences between the Company's computation included in this report and the corresponding schedule included in the Company's unaudited December 31, 2009, Part II FOCUS report.

Note: BOSC does not maintain custody of customer funds and securities. While it is a fully clearing broker/dealer, it currently uses two clearing broker/dealer firms—Pershing and BOK—for custody of customer funds and securities.

## BOSC, Inc.

Information Relating to Possession or Control Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission

Year Ended December 31, 2009

<p>1. Customers' fully paid and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3)</p>	<p>\$ <u>          -</u></p>
A. Number of items	<p><u>          -</u></p>
<p>2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3</p>	<p>\$ <u>          -</u></p>
A. Number of items	<p><u>          -</u></p>

There are no material differences between the Company's computation included in this report and the corresponding schedule included in the Company's unaudited December 31, 2009, Part II FOCUS report.

Note: BOSC does not maintain custody of customer funds and securities. While it is a fully clearing broker/dealer, it currently uses two clearing broker/dealer firms—Pershing and BOK—for custody of customer funds and securities.

## BOSC, Inc.

Schedule of Segregation Requirements and Funds in Segregation for  
Customers' Regulated Commodity Futures and Options Accounts

Year Ended December 31, 2009

**Segregation requirements**

Net ledger balance:		
Cash	\$	-
Securities (at market)		-
Net unrealized loss in open futures contracts traded on a contract market		-
Exchange traded options:		
Add market value of open option contracts purchased on a contract market		-
Deduct market value of open option contracts granted (sold) on a contract market		-
Net equity		-
Accounts liquidating to a deficit and accounts with debit balances – gross amount		-
Less amount offset against U.S. Treasury obligations owned by particular customers		-
Amount required to be segregated	\$	-

**Funds on segregated accounts**

Deposited in segregated funds bank accounts:		
Cash	\$	-
Securities representing investments of customer funds (at market)		-
Securities held for particular customers or option customers in lieu of cash (at market)		-
Net equities with other FCMS:		
Net liquidating equity		-
Securities representing investments of customer funds (at market)		-
Securities held for particular customers or option customers in lieu of cash (at market)		-
Total amount in segregation		-
Excess funds in segregation	\$	-

BOSC, Inc.

Schedule of Segregation Requirements and Funds in Segregation for  
Customers' Regulated Commodity Futures and Options Accounts (continued)

Year Ended December 31, 2009

There are no material differences between the Company's computation included in this report and the corresponding schedule included in the Company's unaudited December 31, 2009, Part II FOCUS report.

Note: BOSC does not maintain custody of customer funds and securities. While it is a fully clearing broker/dealer, it currently uses two clearing broker/dealer firms—Pershing and BOK—for custody of customer funds and securities.

# Supplementary Report

## **Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)**

The Board of Directors  
BOSC, Inc.

In planning and performing our audit of the financial statements of BOSC, Inc., (the Company), as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States, we considered its 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 17a-5(g), including the following:

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 recordation 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 control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods

is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2009 to meet the SEC's objectives.

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.

*Ernst + Young LLP*

February 23, 2010

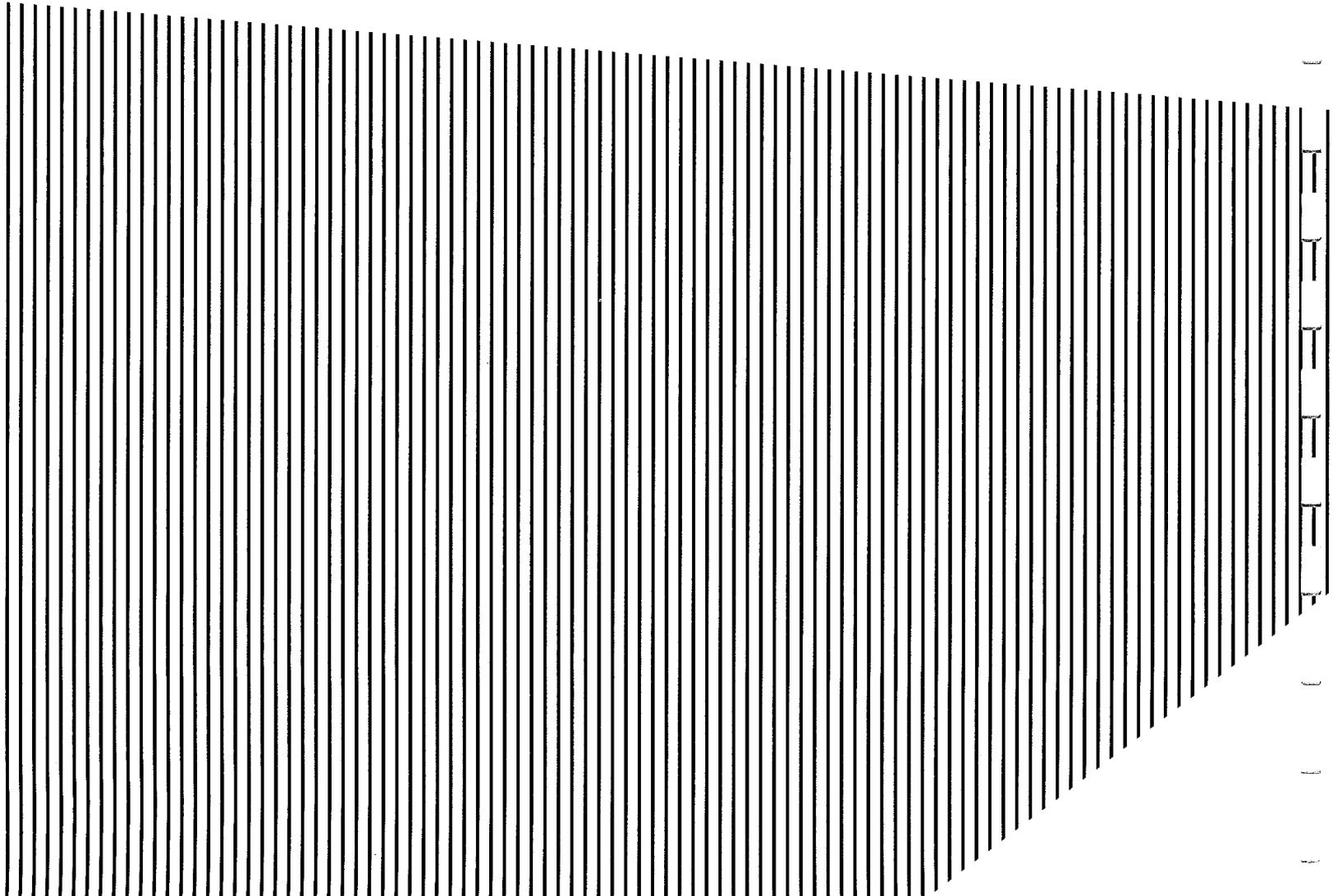
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**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**BOSC, Inc.**

**Year Ended December 31, 2009**

**With Report and Supplementary Report of  
Independent Registered Public Accounting Firm**

SEC Mail  
Mail Processing  
Section

FEB 2 2010

Washington, DC  
109

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SCHEDULE OF ASSESSMENT AND PAYMENTS  
TRANSITIONAL ASSESSMENT  
RECONCILIATION

BOSC, Inc.

For the Fiscal Period from April 1, 2009 through  
December 31, 2009

With Report of Independent Accountants

Ernst & Young LLP

 **ERNST & YOUNG**

**Transitional Assessment Reconciliation**

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

035381 FINRA DEC  
BOSC INC 15\*15  
1 WILLIAMS CTR ~~BSMT~~ Plaza East  
TULSA OK 74172-0172

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Karen Kreger 405-272-2229

A. General Assessment [item 2e from page 2 (not less than \$150 minimum)]	\$	<u>81,519</u>
B. Less payment made with SIPC-6 filed including \$150 paid with 2009 SIPC-4 (exclude interest)	(	<u>24,345</u> )
<u>7/28/09</u> Date Paid		
C. Less prior overpayment applied	(	<u>-0-</u> )
D. Assessment balance due or (overpayment)		<u>57,174</u>
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum		<u>-0-</u>
F. Total assessment balance and interest due (or overpayment carried forward)	\$	<u>57,174</u>
G. PAID WITH THIS FORM: Check enclosed, payable to SIPC Total (must be same as F above)	\$	<u>57,174</u>
H. Overpayment carried forward	\$(	<u>-0-</u> )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

N/A

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

BOSC, Inc.

(Name of Corporation, Partnership or other organization)

Karen Kreger  
(Authorized Signature)

Financial and Operations Principal  
(Title)

Dated the 23 day of February, 2010.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**

Dates: Postmarked Received Reviewed

Calculations \_\_\_\_\_ Documentation \_\_\_\_\_

Forward Copy \_\_\_\_\_

Exceptions:

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning April 1, 2009  
and ending Dec. 31, 2009  
Eliminate cents

**Item No.**

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030) \$ 36,275,151

**2b. Additions:**

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.	<u>-0-</u>
(2) Net loss from principal transactions in securities in trading accounts.	<u>95,646</u>
(3) Net loss from principal transactions in commodities in trading accounts.	<u>-0-</u>
(4) Interest and dividend expense deducted in determining item 2a.	<u>-0-</u>
(5) Net loss from management of or participation in the underwriting or distribution of securities.	<u>1,839,633</u>
(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.	<u>50,293</u>
(7) Net loss from securities in investment accounts.	<u>109,620</u>
<b>Total additions</b>	<u><u>2,095,192</u></u>

**2c. Deductions:**

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.	<u>3,267,697</u>
(2) Revenues from commodity transactions.	<u>-0-</u>
(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.	<u>-0-</u>
(4) Reimbursements for postage in connection with proxy solicitation.	<u>-0-</u>
(5) Net gain from securities in investment accounts.	<u>-0-</u>
(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.	<u>2,456,313</u>
(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).	<u>150</u>
(8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):	<u>-0-</u>

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income. \$ 38,637

(ii) 40% of interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960). \$ -0-

Enter the greater of line (i) or (ii) 38,637

**Total deductions** 5,762,797

2d. SIPC Net Operating Revenues \$ 32,607,546

2e. General Assessment @ .0025 \$ 81,519

(to page 1 but not less than \$150 minimum)

**BOSC, Inc.**

**Schedule of Assessment and Payments Transitional Assessment Reconciliation**

For the Fiscal Period from April 1, 2009 through December 31, 2009

**Contents**

Report of Independent Accountants ..... 1

## **Report of Independent Accountants on Applying Agreed-Upon Procedures**

To the Board of Directors and Management of BOSC, Inc.:

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of BOSC, Inc., the Securities Investor Protection Corporation (SIPC), the Securities and Exchange Commission, and the Financial Industry Regulatory Authority in accordance with Rule 17a-5(e)(4) of the Securities Exchange Act of 1934. We performed the procedures solely to assist the specified parties in evaluating BOSC, Inc.'s compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T) for the fiscal period April 1, 2009 through December 31, 2009. BOSC, Inc.'s management is responsible for BOSC, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7T with respective cash disbursement record entries.

There were no findings.

2. Compared the amounts reported on the FOCUS reports for the fiscal period from April 1, 2009 through December 31, 2009 with the amounts reported in Form SIPC-7T for the fiscal period from April 1, 2009 through December 31, 2009.

There were no findings.

3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers.

There were no findings.

4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related supporting schedules and working papers supporting the adjustments.

There were no findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T) for the fiscal period from April 1, 2009 through December 31, 2009. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Ernst & Young' followed by a stylized monogram.

February 23, 2010

Ernst & Young LLP

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