

MAR 01 2011  
WASHINGTON, D.C. 20548  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.



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

SEC FILE NUMBER  
8-49569

**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 1/1/2010 AND ENDING 12/31/2010  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER - DEALER:  
Exane, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
640 5<sup>th</sup> Avenue, 15<sup>th</sup> Floor

New York (City) (No. and Street) New York (State) 10019 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
J. Scott Eveleth (212) 634-5165  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Deloitte & Touche LLP

Two World Financial Center (Address) New York (City) New York (State) 10281-1414 (Zip Code)

**CHECK ONE:**

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

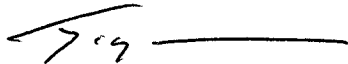
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

UD  
3/1/8

AFFIRMATION

I, J. Scott Eveleth, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to Exane, Inc. for the year ended December 31, 2010, are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

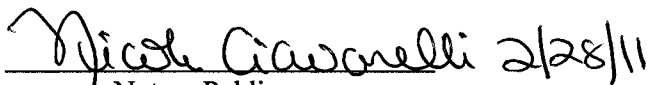
  
\_\_\_\_\_  
Signature 2/28/2011  
Date

President & Chief Executive Officer  
Title

STATE OF NEW YORK

COUNTY OF NEW YORK

J. Scott Eveleth appeared before me and swore that he had signed this affirmation for the Company this 28th day of February 2011.

  
\_\_\_\_\_  
Notary Public

**NICOLE CIAVARELLI**  
Notary Public - State of New York  
No. 01CI6187962  
Qualified in Queens County  
My Commission Expires June 2, 2012

**EXANE, INC.**  
**(A Wholly Owned Subsidiary of Exane SA)**

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(x) (l) An Oath or Affirmation.	
(x) (m) A copy of the SIPC Supplemental Report.(Filed separately)	
(x) (n) A report describing any material inadequacies found to exist or to have existed since the date of the previous audit (Supplemental Report on Internal Control).	

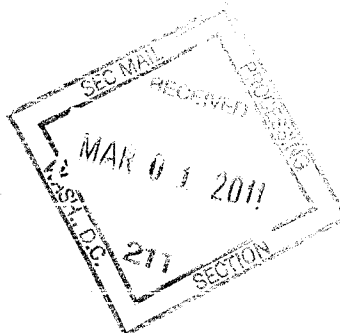
\*\* For conditions of confidential treatment of certain portions of this filing, see 240.17a-15(e)(3)

EXANE, INC.  
(A Wholly Owned Subsidiary of Exane SA)

(SEC ID. No. 8-49569)

STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2010  
AND  
INDEPENDENT AUDITORS' REPORT  
AND  
SUPPLEMENTAL REPORT ON INTERNAL CONTROL  
\*\*\*\*\*

Filed pursuant to Rule 17a-5(e)(3)  
under the Securities Exchange Act of 1934  
as a **PUBLIC** Document



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USA

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## INDEPENDENT AUDITORS' REPORT

Exane SA:

We have audited the accompanying statement of financial condition of Exane, Inc. (the "Company") as of December 31, 2010, that Exane, Inc. is filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statement, 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, such statement of financial condition presents fairly, in all material respects, the financial position of Exane, Inc. at December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

February 28, 2011

**EXANE, INC.**  
**(A Wholly Owned Subsidiary of Exane SA)**

**STATEMENT OF FINANCIAL CONDITION**  
**AS OF DECEMBER 31, 2010**

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**ASSETS**

CASH AND CASH EQUIVALENTS	\$15,734,029
RECEIVABLES:	
Affiliates	1,681,158
Customers	1,305,954
Brokers, dealers, and clearing organizations	250,000
SECURITIES OWNED — At fair value	2,681,155
FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS — At cost (less accumulated depreciation and amortization of \$1,341,050)	964,328
PREPAID AND OTHER ASSETS	<u>2,538,464</u>
TOTAL ASSETS	<u>\$25,155,088</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

LIABILITIES:	
Accrued expenses	\$ 4,259,807
Payables:	
Affiliates	849,732
Post retirement benefits	498,947
Long-term liabilities	<u>2,069,820</u>
Total liabilities	<u>7,678,306</u>
STOCKHOLDER'S EQUITY:	
Common stock, \$0.01 par value — authorized, 1,000 shares; issued and outstanding	10
Additional paid-in capital	4,999,990
Accumulated comprehensive loss, net of taxes of \$217,541	(281,406)
Retained earnings	<u>12,758,188</u>
Total stockholder's equity	<u>17,476,782</u>
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	<u>\$25,155,088</u>

See notes to statement of financial condition.

# EXANE, INC.

(A Wholly Owned Subsidiary of Exane SA)

## NOTES TO STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of Business** — Exane, Inc. (the “Company”) is a wholly owned subsidiary of Exane SA (the “Parent”). The Company is incorporated under the laws of the State of Delaware and is a broker-dealer registered with the Securities and Exchange Commission and a member of the Financial Industry Regulating Authority, Inc. (“FINRA”). The primary function of the Company is to serve the French and other European investment needs of U.S. institutional investors and the U.S. investment needs of U.S., French and other European and Asian institutional investors. The Company deals primarily in securities of European and U.S. issuers.

**Basis of Presentation** — The statement of financial condition is presented in accordance with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents** — The Company considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents. Cash and cash equivalents primarily consist of cash and short-term money market instruments.

**Securities Owned** — Securities owned at December 31, 2010, consists of certificates of deposits with maturities greater than 90 days and are presented at fair value and accounted for on a trade date basis.

**Furniture, Equipment, and Leasehold Improvements** — Maintenance and repair costs are expensed as incurred. Furniture and equipment are carried at cost, less accumulated depreciation and are depreciated on a straight-line basis generally using estimated useful lives of three to five years. Leasehold improvements are carried at cost, less accumulated depreciation and are depreciated on a straight-line basis using either the life of the lease or the estimated life of the asset, whichever is shorter.

**Receivables from Brokers and Dealers** — Receivable from brokers and dealers is the deposit required pursuant to the clearing agreement with the Company’s U.S. clearing broker.

**Long-Term Liabilities** — In 2009 the Company adopted a deferred bonus compensation program whereby portions of the employee’s annual cash bonus awards are deferred over a three year period on bonus awards in amounts over a threshold amount. Long-term liabilities are established to reflect the deferred cash bonuses payable in future years.

**Receivables from Customers** — The amounts reported in the statement of financial condition represent commissions receivable from customers in connection with securities transactions, less a reserve of \$67,357 for certain receivables outstanding six months or more, and research fees invoiced but not yet received.

**Translation of Foreign Currency** — Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the statement of financial condition, and revenues and expenses are translated at exchange rate at the end of each month.

**Income Taxes** — Income taxes are provided for using the asset and liability method. Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of the Company's assets and liabilities. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. The Company had no valuation allowances at year-end.

**Use of Estimates** — The statement of financial condition has been prepared in accordance with generally accepted accounting principles that require management to make certain estimates and assumptions. The most important of these estimates and assumptions relate to fair value measurements, bonus and tax accruals at December 31, 2010. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

**Fair Value Measurement** — The Company adopted fair value measurement standards prescribed by the Financial Accounting Standards Board (FASB) which defines fair value as the price received to transfer a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. This standard also establishes a framework for measuring fair value, expands disclosures about fair value measurements and specifies a hierarchy of valuation techniques based on whether inputs to these valuation techniques are observable or unobservable. The Company accounts for all of its financial instruments at fair value. (Also refer to Note 6.)

**New Accounting Pronouncements** — In January 2010, the FASB issued Accounting Standards Update ("ASU") 2010-06 which amends Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures." Under the ASU, a reporting entity is now required to disclose separately the amounts of, and reasons for, significant transfers between Level 1 and Level 2 assets and liabilities in the fair value hierarchy as well as transfers into, and out of Level 3 of the fair value hierarchy for reconciliation of Level 3 measurements. In addition, a reporting entity is no longer permitted to adopt a policy of recognizing transfers into/out of Level 3 as of the beginning or end of a reporting period. Rather, an entity must disclose and follow a consistent policy for determining when transfers between levels are recognized. This standard did not have a material impact on the Company's statement of financial condition.

## 2. RELATED PARTY TRANSACTIONS

The Company executes and clears securities transactions through another U.S. broker-dealer or a foreign affiliate. Many of these transactions are denominated in foreign currencies. The statement of financial condition reflects the following related party balances as of December 31, 2010:

Assets:	
Receivable from affiliates	\$1,681,158
Liabilities:	
Payable to affiliates	\$849,732

The receivable from affiliate balance represents the net agency commission fees and equity capital market fees receivable as of December 31, 2010. The payable to affiliate balance primarily represents execution and revenue sharing fees payable as of December 31, 2010.

## 3. INCOME TAXES

At December 31, 2010, temporary differences arose due to ASC 715, Compensation - Retirement Benefits. This resulted in a deferred tax asset of \$217,541 being recognized on the statement of financial



condition. This net deferred tax asset includes an adjustment to accumulated other comprehensive income. In addition, a deferred tax asset of \$549,512 has been recognized relating to the Company's deferred bonus compensation policy and other deferred tax assets totaling \$248,883 relate to timing differences on the depreciation of fixed assets and other items.

All tax positions included in the balance sheet at December 31, 2010 are highly certain as to ultimate deductibility. The Company does not expect a significant increase or decrease in unrecognized tax benefits during the next twelve months.

The Company's years open to examination by major jurisdiction are tax years ended December 2008 and forward for Federal, New York State and New York City.

#### 4. EMPLOYEE BENEFIT PLAN

**401(k) Retirement Plan** — The Company maintains a 401(k) retirement plan (the "Plan") covering substantially all of the employees of the Company. The Company's contribution to the Plan is based on a percentage of employees' contributions and discretionary amounts.

**Defined Benefit Pension Plan** — The Company maintains a defined benefit pension plan (the "Pension Plan"). The Pension Plan provides death and retirement benefits to all eligible employees. It is the Company's policy to fund the Pension Plan to meet the minimum funding standard as prescribed by the Employee Retirement Income Security Act of 1974 (ERISA). At December 31, 2010, the pension plan assets were invested in a portfolio consisting primarily of cash and cash equivalents, medium term corporate bonds, U.S. equities and mutual funds managed by the Company. Employees must be at least 18 years old and have a minimum of one year of service to be eligible for the Pension Plan.

##### **Fair Value of Pension Plan Assets:**

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year-end.

Equity securities: Valued at the market price per share held by the plan at year-end.

Corporate debt securities: Valued at the market price per bond held by the plan at year-end plus accrued interest.

Exchange Traded Funds: Valued at the market price per unit held by the plan at year-end.

Insurance policies: Valued at the cash surrender value of the policy held by the plan at year-end.

Pension asset fair value levels at December 31, 2010:

	Level 1	Level 2	Level 3	Total
Mutual Funds	\$506,750	\$0	\$0	\$506,750
Cash & Cash Equivalents	510,951	0	0	510,951
Equity Securities	953,031	0	0	953,031
Corporate Debt Securities	346,296	0	0	346,296
Exchange Traded Funds	73,675	0	0	73,675
Insurance Policies	<u>194,414</u>	<u>0</u>	<u>0</u>	<u>194,414</u>
Pension assets at fair value	<u>\$2,585,117</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,585,117</u>

The Company's actual pension plan weighted-average asset allocation at December 31, 2010 by asset category is as follows:

<u>Asset Category</u>	
Fixed Income	28%
Equity Securities	41%
Cash & Cash Equivalents	20%
Alternative Investments	3%
Insurance Policies	<u>8%</u>
Total	<u>100%</u>

The principal goal of the investment of funds is to provide stability with moderate growth commensurate with the anticipated retirement dates of participants. Fixed income investments, including interest bearing cash and whole life insurance policies, will normally dominate the portfolio (50% - 75%) but will not preclude the opportunistic use of riskier, higher yielding and/or less liquid investments including mutual funds, equities and alternative investments in order to provide additional returns in order to prevent erosion by inflation.

The plan has ten years of investing history and was very conservative in its approach to investing during its first few years. Therefore, at this stage the long term rate of return on assets is based on long term historical returns on both fixed income and equity investments rather than actual plan history. Averaging the historical returns (3% to 5% for long term government bonds and 8% to 12% for broad U.S. equity indexes) in proportion to the plans investing goals served as the basis for the rate of return used for the year ended December 31, 2010.

For the year ending December 31, 2010, the expected minimum pension contribution is \$100,000 to provide an ancillary death benefit through the purchase of individual whole life insurance policies. With the exception of death benefit payments, \$45,000 of benefit payments are expected between 2011 and 2015. Expected payments for the five years subsequent to 2015 are \$390,000.

A reconciliation of the beginning and ending balances of the benefit obligation is as follows:

Benefit obligation — beginning of year	\$2,192,529
Service cost	475,928
Interest cost	126,070
Actuarial gains	(53,746)
Benefits paid	<u>(20,515)</u>
 Benefits obligation — end of year	 <u>\$2,720,266</u>

A reconciliation of the beginning and ending balances of the fair value of plan assets is as follows:

Fair value — beginning of year	\$2,303,946
Actual return on plan assets	101,686
Employer contribution	200,000
Insurance premiums	-
Benefits paid	<u>(20,515)</u>
 Fair value — end of year	 <u>\$2,585,117</u>

The financial status for fiscal 2010 is as follows:

Funded status	\$ (135,149)
Unrecognized prior service cost	(102,728)
Unrecognized net loss	<u>601,675</u>
 (Accrued) prepaid pension cost	 <u>\$ 363,798</u>

The following table sets forth the weighted average assumptions used to determine the benefit obligation at December 31, 2010:

Discount rate	5.65%
Expected return on plan assets	6.00%
Rate of compensation increase	3.00%
Measurement date — December 31, 2010	

The following table sets forth the weighted average assumptions used to determine the net periodic cost at the beginning of the period ended December 31, 2010:

Discount rate	5.75%
Expected return on plan assets	6.00%
Rate of compensation increase	3.00%
Measurement date — December 31, 2010	

## 5. COMMITMENTS AND CONTINGENCIES

**Leases** — The Company occupies office space under non-cancelable lease with initial or remaining terms of approximately five years. Future minimum payments are as follows:

2011	\$ 669,055
2012	669,055
2013	669,055
2014	681,862
2015	720,280
2016 and thereafter	<u>2,701,053</u>
	<u>\$6,110,360</u>

**Guarantees** — The Company has provided a guarantee to their clearing broker. Under the agreement, the Company has agreed to indemnify the clearing broker for customers introduced by the Company that are unable to satisfy the terms of their contracts. The Company's liability under this agreement is not quantifiable. However, the potential for the Company to be required to make payments under this agreement is remote. Accordingly, no contingent liability is carried on the statement of financial condition for these transactions.

**Commitments** — During 2009, the Company entered into an agreement with an affiliate to provide a credit facility for \$2,000,000. The balance outstanding as of December 31, 2010, was \$0.

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts which approximate fair value. Management estimates that the fair value of the financial instruments recognized on the statement of financial condition (including receivables, payables and accrued expenses) approximates the carrying value as such financial instruments are short-term in nature, bear interest at current market rates or are subject to frequent repricing.

*Fair Value Hierarchy* — The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

*Level 1* — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of money market instruments, deposits, or exchange traded financial instruments.

*Level 2* — Quoted prices in active markets are not available, however, pricing inputs are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. Substantially all of the assumptions to value these financial instruments are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

*Level 3* — Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The following table presents the Company’s fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2010:

	As of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Securities owned - Certificates of deposit	<u>\$ 2,681,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,681,155</u>

**7. OFF-BALANCE SHEET RISK**

In the normal course of business, the Company executes, as an agent, transactions on behalf of customers. If the agency transactions do not settle because of failure to perform by either the customer or the counterparty, the Company may be required to discharge the obligation of the nonperforming party and, as a result, may incur a loss if the market value of the security is different from the contract amounts of the transaction. The Company’s counterparties include U.S. and foreign customers and brokers and dealers that are members of regulated exchanges. The Company does not anticipate nonperformance by such customers or financial institutions; however, the Company’s policy is to monitor its market exposure and counterparty risk.

**8. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission’s Uniform Net Capital Rule (“Rule 15c3-1”), which requires the maintenance of minimum net capital. The Company follows the alternative method of computing net capital under Rule 15c3-1 which requires that the Company must maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debit items. At December 31, 2010, net capital of \$10,610,784 exceeded the required net capital minimum of \$250,000 by \$10,360,784.

**9. SUBSEQUENT EVENTS**

The Company evaluates events subsequent to December 31, 2010 through the date on which the statement of financial condition is issued. The Company does not note any subsequent events requiring disclosure or adjustment to the statement of financial condition.

\*\*\*\*\*

February 28, 2011

Exane, Inc.  
640 Fifth Ave. 15th FL  
New York, NY 10019

In planning and performing our audit of the financial statements of Exane, Inc. (the "Company") as of and for the year ended December 31, 2010 (on which we issued our report dated February 28, 2011 and such report expressed an unqualified opinion on those financial statements), 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 an 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) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g): (1) in making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11); (2) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) for determining compliance with the exemptive provisions of 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

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 Company'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 would not necessarily identify all deficiencies in internal control that might be 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, 2010, to meet the SEC's objectives.

However, we note that the size of the business and resultant limited number of employees imposes practical limitations on the effectiveness of those control policies and procedures that depend on the segregation of duties. Because this condition is inherent in the size of the Company, the specific weaknesses are not described herein. These conditions were considered in determining the nature, timing and extent of audit tests to be applied in our audit of the financial statements, and do not modify our opinion dated February 28, 2011 on such financial statements.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Deloitte & Touche LLP*