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

SEC FILE NUMBER
8- 22992

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 01/01/2012 AND ENDING 12/31/2012  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: OppenheimerFunds Distributor, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

225 Liberty Street, 11th Floor

(No. and Street)

New York, NY 10281-1008

(City)

(State)

(Zip Code)

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

Tim Abbuhl

(303) 768-2896

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

KPMG, LLP

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

1225 Seventeenth Street, Suite 800, Denver, CO 80202

(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)

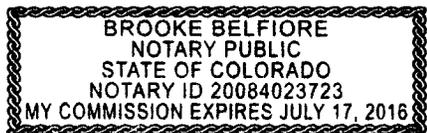
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OATH OR AFFIRMATION

I, Tim Abbuhl, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of OppenheimerFunds Distributor, Inc., as of December 31, 2012, 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:



[Handwritten Signature]

Signature

Treasurer

Title

[Handwritten Signature]  
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).



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**OPPENHEIMERFUNDS DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of OppenheimerFunds, Inc.)

**Statement of Financial Condition**

**December 31, 2012**

**(With Report of Independent Registered Public Accounting Firm and  
Report of Independent Registered Public Accounting Firm on Internal Control Pursuant  
to Securities and Exchange Commission Rule 17a-5)**

**OPPENHEIMERFUNDS DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of OppenheimerFunds, Inc.)

**Table of Contents**

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	1
Statement of Financial Condition	2
Notes to Statement of Financial Condition	3
Report of Independent Registered Public Accounting Firm on Internal Control Pursuant to Securities and Exchange Commission Rule 17a-5	9

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors  
OppenheimerFunds Distributor, Inc.:

We have audited the accompanying statement of financial condition of OppenheimerFunds Distributor, Inc. (a wholly owned subsidiary of OppenheimerFunds, Inc.) as of December 31, 2012, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the statement of financial condition (the financial statement).

### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statement referred to above presents fairly in all material respects, the financial position of OppenheimerFunds Distributor, Inc. (a wholly owned subsidiary of OppenheimerFunds, Inc.) as of December 31, 2012, in accordance with U.S. generally accepted accounting principles.

*KPMG LLP*  
**KPMG LLP**

Denver, Colorado  
February 1, 2013

**OPPENHEIMERFUNDS DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of OppenheimerFunds, Inc.)

Statement of Financial Condition

December 31, 2012

(Dollars in thousands)

**Assets**

Cash and cash equivalents	\$ 224,327
Cash segregated under federal regulations	47,555
Accounts receivable:	
Mutual fund subscriptions from broker/dealers	280,470
Redemptions from mutual funds	582,851
Distribution and service plan fee receivable	25,880
Other	1,064
Other assets	1,434
Income tax receivable	8,877
Deferred tax asset	21,032
Deferred sales commissions	69,929
	<hr/>
Total assets	\$ <u>1,263,419</u>

**Liabilities and Shareholder's Equity**

Liabilities:	
Subscriptions payable to mutual funds	\$ 572,450
Redemptions from mutual funds payable to broker/dealers	338,977
Distribution and service plan fee payable	96,796
Commissions payable	3,965
Accounts payable and accrued expenses	7,985
Accrued compensation	19,979
Payable to affiliates	16,594
Income tax payable	3,851
Deferred tax liability	24,529
Deferred compensation arrangements	14,574
	<hr/>
Total liabilities	1,099,700
Shareholder's equity:	
Common stock, \$300 stated value. Authorized 200 shares; issued and outstanding 100 shares	30
Additional paid-in capital	1,233,709
Accumulated deficit	(1,070,020)
	<hr/>
Total shareholder's equity	163,719
	<hr/>
Total liabilities and shareholder's equity	\$ <u>1,263,419</u>

See accompanying notes to statement of financial condition.

**OPPENHEIMERFUNDS DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of OppenheimerFunds, Inc.)

Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands)

**(1) The Company and its Significant Accounting Policies**

OppenheimerFunds Distributor, Inc. (the Company or OFDI), a New York corporation, acts as general distributor for the sale and distribution of shares of registered investment companies (hereafter referred to as mutual funds), which are managed by OppenheimerFunds, Inc. (OFI). The Company is a wholly owned subsidiary of OFI (Parent), which is a wholly owned subsidiary of Oppenheimer Acquisition Corporation (OAC), which is ultimately controlled by Massachusetts Mutual Life Insurance Company (Mass Mutual). The Company is registered as a broker/dealer under the Securities Exchange Act of 1934.

**(a) Cash and Cash Equivalents**

Cash on deposit and investments in money market mutual funds are considered cash and cash equivalents.

**(b) Cash Segregated under Federal Regulations**

Cash segregated under federal regulations represents cash received for mutual fund subscriptions and redemptions that have not settled as of the date of the statement of financial condition. The cash is segregated in a special bank account for the exclusive benefit of customers under Rule 15c3-3 of the Securities Exchange Act of 1934.

**(c) Deferred Sales Commissions**

Sales commissions paid to broker/dealers in connection with sales of shares of certain mutual funds are charged to deferred sales commissions and amortized over the estimated period in which they will be recovered from distribution and service plan fees and/or contingent deferred sales charges, ranging over 12 months to 6 years, depending on share class. Contingent deferred sales charges received from early withdrawal reduce unamortized deferred sales commissions. The Company has determined that the unamortized deferred sales commissions are recoverable at December 31, 2012. Effective June 29, 2012, the Company stopped offering class B shares, which had a 6 year amortization period, for new purchases.

**(d) Income Taxes**

Income taxes due to governmental taxing authorities are based on the Company's best estimate of its current and deferred tax liabilities. Deferred income taxes are provided for temporary differences that exist between financial reporting and tax bases of assets and liabilities.

**OPPENHEIMERFUNDS DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of OppenheimerFunds, Inc.)

Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands)

The Company is included in a consolidated U.S. federal income tax return with Mass Mutual and Mass Mutual's eligible U.S. subsidiaries. The Company also files income tax returns in various states. The Company, Mass Mutual, and Mass Mutual's eligible subsidiaries and certain affiliates (the Parties) have executed and are subject to a written tax allocation agreement (the Agreement). The Agreement sets forth the manner in which the total combined federal income tax is allocated among the Parties. The Agreement provides the Company with the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur. Further, the Agreement provides the Company with the enforceable right to utilize its net losses carried forward as an offset to future net income subject to federal income taxes.

**(e) Fair Value of Financial Instruments**

The Company's financial instruments include cash and cash equivalents, and accounts receivable and payable. The carrying value of the Company's cash equivalents and accounts receivable and payable approximate their fair values due to their short-term nature.

**(f) Estimates**

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

**(2) Mutual Fund Subscriptions and Redemptions**

The Company acts as general distributor for the sale and distribution of mutual funds. In this capacity, the Company records a receivable when purchase orders are confirmed with the originating broker/dealers. The Company records a subscription payable to the mutual funds equal to the net asset value of unsettled shares.

When broker/dealers place share redemption orders with the Company, a receivable is recorded from the mutual funds equal to the net asset value of all shares redeemed; at the same time, the Company records a corresponding liability payable to the originating broker/dealers.

**(3) Related Parties and Other Matters**

The following is a summary of the significant transactions and relationships with affiliated companies and other related parties as of December 31, 2012:

**(a) Officers and Directors of the Company and Shareholders of OAC**

Several officers and directors of the Company are shareholders of OAC while also serving as officers and directors or trustees of the mutual funds distributed by the Company.

**OPPENHEIMERFUNDS DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of OppenheimerFunds, Inc.)

Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands)

**(b) Payable to Affiliates**

At December 31, 2012, the Company has recorded a payable to OFI in the amount of \$16,594. This is to reimburse OFI for paying certain expenses such as payroll and vendors payments on behalf of the Company.

**(c) Capital Support Agreement**

As a broker/dealer registered with the Securities and Exchange Commission, the Company is required to maintain minimum net capital, as defined in Rule 15c3-1 of the Securities Exchange Act of 1934. The Company's parent, OFI, has committed through January 1, 2014 to provide capital contributions from time to time of up to \$150,000 per annum if necessary to enable the Company to continue to meet its capital requirements.

**(d) Revenue Sharing and Servicing Arrangements**

The Company makes payments to affiliates of Mass Mutual for certain revenue sharing and servicing arrangements. The balance payable is \$200 at December 31, 2012 and is included in accounts payable and accrued expenses.

**(e) Distribution and Service Plan Fees**

The Company makes payments to affiliates of Mass Mutual for their sales of mutual funds. These payments are made pursuant to Rule 12b-1 plans adopted by the respective funds, are based upon rates set under the plans, and are based on total assets invested by the affiliate's customers. The balance payable is \$2,925 at December 31, 2012 and is included in distribution and service plan fee payable.

**OPPENHEIMERFUNDS DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of OppenheimerFunds, Inc.)

Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands)

**(4) Income Tax Benefit**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2012 are as follows:

Deferred tax assets (by type):	
Share-based payment arrangements	\$ 3,195
State net operating losses	16,799
Deferred compensation arrangements	<u>5,368</u>
	25,362
Less valuation allowance	<u>1,552</u>
Gross deferred tax assets	<u>23,810</u>
Deferred tax liabilities (by type):	
Deferred sales commissions	26,762
Other	<u>545</u>
Gross deferred tax liabilities	<u>27,307</u>
Net deferred tax liability	<u>\$ 3,497</u>
Deferred taxes (by jurisdiction):	
Net deferred tax assets (State)	\$ 21,032
Net deferred tax liabilities (Federal)	<u>24,529</u>
Net deferred tax liability	<u>\$ 3,497</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the amount of taxes paid in prior years, scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in this assessment. The Company has established valuation allowances when it is more likely than not that deferred tax assets will not be realized.

The total valuation allowance as of December 31, 2012 of \$1,552 is the amount attributable to state net operating losses. Effective January 1, 2013, the Company entered into various intercompany service arrangements with affiliated entities, which management believes will result in additional revenue to the Company. The additional revenue primarily relates to marketing services now being performed by the Company. Based on historical results and future projections, the Company believes it will generate net income in 2013 and subsequent years. Therefore, management believes it will realize the majority of state net operating losses before expiration, and a valuation allowance remains for the portion that, based on current projected taxable income, is expected to expire.

**OPPENHEIMERFUNDS DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of OppenheimerFunds, Inc.)

Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands)

As of December 31, 2012, \$8,877 was receivable for state income taxes. As of the same date, \$3,851 was payable to Mass Mutual for consolidated federal income taxes.

Tax returns filed in previous years are subject to audit by various federal and state taxing authorities, and as a result of such audits, additional tax assessments may be proposed. The following tax years remain open to income tax examination for each of the more significant jurisdictions where the Company is subject to income taxes: tax years 2008 and later remain open to U.S. federal income tax examination, tax years after 1999 remain open to income tax examination in New York State and New York City, and tax years after 1996 remain open to income tax examination in Colorado.

Based on current information available, the Company either does not anticipate the total amount of uncertain tax positions to significantly increase or decrease within the next 12 months, or if it will significantly change, the Company is unable to reasonably estimate what this change will be.

**(5) Employee Benefit Plans**

OFI has a 401(k) Capital Accumulation Plan (the Plan), a defined contribution plan, in which all Company employees are eligible to participate. After one year of service, the Plan provides for company matching contributions and provides for discretionary contributions subject to plan and statutory limits.

In addition, employees of the Company participate in OFI's nonqualified deferred compensation plan, which allows certain employees to elect to defer a portion of their compensation. Employees are credited with earnings on the deferrals using returns on funds managed by OFI. At December 31, 2012, deferred compensation payable was \$14,574.

**(6) Net Capital Requirement**

As a broker/dealer registered with the Securities and Exchange Commission, the Company is required to maintain minimum net capital, as defined in Rule 15c3-1 of the Securities Exchange Act of 1934. The Company computes its net capital using the alternative standard appearing in paragraph (a)(1)(ii) of the Rule. Under this method, minimum capital is \$250. At December 31, 2012, the Company had net capital of \$74,354 that exceeded requirements by \$74,104.

**OPPENHEIMERFUNDS DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of OppenheimerFunds, Inc.)

Notes to Statement of Financial Condition

December 31, 2012

(Dollars in thousands)

**(7) Litigation**

In 2009, numerous lawsuits were filed as putative class actions in connection with the investment performance of certain municipal bond funds advised by OFI and distributed by OFDI (the Rochester Suits). The plaintiffs in the Rochester Suits raise claims against OFI, OFDI and certain present and former trustees and officers of the funds under federal securities laws, alleging that, among other things, the disclosure documents of the funds contained misrepresentations and omissions, that the investment policies of the funds were not followed, and that the funds and other defendants violated federal securities laws and regulations and certain state laws. The Rochester Suits have been consolidated into seven groups, one for each of the funds, in the U.S. District Court for the District of Colorado. Amended complaints and motions to dismiss those amended complaints were filed in the Rochester Suits. In October 2011, the court issued an order granting in part and denying in part defendants' motions to dismiss in five of the seven Rochester Suits. In November 2011, defendants filed a joint motion for reconsideration of the court's ruling and a joint motion for certification of an interlocutory appeal. In January 2012, the court granted a stipulated scheduling and discovery order, which was subsequently revised in May 2012. In July 2012, plaintiffs moved to certify a class and appoint class representatives and class counsel. In September 2012, defendants opposed plaintiffs' motion and moved for partial summary judgment with respect to certain of plaintiffs' claims. Management believes that the lawsuits are without merit, that it is premature to render any opinion as to the likelihood of an outcome unfavorable to OFI and OFDI, and that no estimate can yet be made with any degree of certainty as to the amount or range of any potential loss.

OFDI is involved in various other legal proceedings and regulatory matters that arise in the ordinary course of their respective businesses. In connection with informal and formal inquiries, examinations and investigations by the Securities and Exchange Commission, the Financial Industry Regulatory Authority and other regulators, the Company receives numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their regulated activities. In the opinion of management, after consultation with legal counsel, the resolution of those proceedings and regulatory matters should not have a material adverse effect on OFDI's consolidated financial position.

**(8) Subsequent Events**

Effective January 1, 2013, the Company entered into various intercompany service arrangements with affiliated entities, which management believes will result in additional revenue to the Company. As a result, the Company projects it will generate net income in 2013 and subsequent years. The Company believes it will not require additional capital contributions from the Parent to meet its future capital requirements.

The Company evaluated subsequent events through February 1, 2013, which is the date the financial statements were available to be issued. There were no additional significant subsequent events that would require adjustments to or disclosure in the financial statements.

**Report of Independent Registered Public Accounting Firm  
on Internal Control Pursuant to Securities and Exchange Commission Rule 17a-5**

The Board of Directors  
OppenheimerFunds Distributor, Inc.:

In planning and performing our audit of the statement of financial condition of OppenheimerFunds Distributor, Inc. (a wholly owned subsidiary of OppenheimerFunds, Inc.) (the Company), as of December 31, 2012, 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 statement of financial condition, 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) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13, and
2. 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.

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 previously 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 the statement of financial condition 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 company's financial statement 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 previously.

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, 2012, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the 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 brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*KPMG LLP*  
**KPMG LLP**

Denver, Colorado  
February 1, 2013