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UNITED STATES  
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- 50875

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: Old Mutual Investment Partners  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
200 Clarendon Street, 53 Floor  
Boston (No. and Street) MA 02116  
(City) (State) (Zip Code)

OFFICIAL USE ONLY  
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Matthew Berger (617) 369-7354  
(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)  
Two Financial Center, 60 South St Boston MA 02111  
(Address) (City) (State) (Zip Code)

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

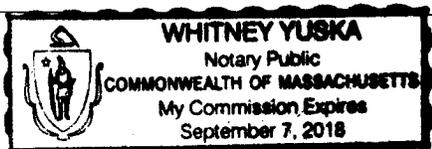
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Case  
3/19/13

OATH OR AFFIRMATION

I, Matthew Berger, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Old Mutual Investment Partners, as of December 31st, 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

Chief Financial Officer
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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Section**

**FEB 20 2013**

**Washington DC  
401**

**OLD MUTUAL INVESTMENT PARTNERS  
(SEC Identification No. 8-50875)**

**Financial Statements and Supplementary Schedules**

**December 31, 2012**

**(With Report of Independent Registered Public Accounting Firm  
and Supplemental Report on Internal Control Thereon)**

Filed in Accordance with Rule 17a 5(e)(3) as a Public Document

**OLD MUTUAL INVESTMENT PARTNERS**  
(SEC Identification No. 8-50875)

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**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

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

The Board of Trustees  
Old Mutual Investment Partners:

We have audited the accompanying financial statements of Old Mutual Investment Partners, which comprise the statement of financial condition as of December 31, 2012, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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 statements referred to above present fairly in all material respects, the financial position of Old Mutual Investment Partners as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedules I and II has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules I and II is fairly stated in all material respects in relation to the financial statements as a whole.

**KPMG LLP**

Boston, Massachusetts  
February 25, 2013

**OLD MUTUAL INVESTMENT PARTNERS**

Statement of Financial Condition

December 31, 2012

**Assets**

Cash and cash equivalents	\$	358,078
Receivable from affiliates		1,617
Prepaid expenses		70,040
Other assets		15,373
		<u>15,373</u>
Total assets	\$	<u>445,108</u>

**Liabilities and Stockholder's Equity**

Liabilities:

Payable to affiliates	\$	58,519
Account payable, accrued expenses, and other liabilities		37,952
		<u>37,952</u>
Total liabilities		<u>96,471</u>

Commitments and contingencies (note 6)

Stockholder's equity:

Common stock, \$100 par value. Authorized, 100,000 shares; issued and outstanding, 10 shares		1,000
Additional paid-in capital		80,058,270
Accumulated deficit		(79,710,633)
		<u>80,058,270</u>
Total stockholder's equity		<u>348,637</u>
Total liabilities and stockholder's equity	\$	<u>445,108</u>

See accompanying notes to financial statements.

**OLD MUTUAL INVESTMENT PARTNERS**

Statement of Operations

Year ended December 31, 2012

Revenues:		
12b-1 service and distribution fees and other income (note 4)	\$	605,401
Interest		<u>740</u>
Total revenues		<u>606,141</u>
Operating expenses:		
Commission and distribution fees		711,521
Employee compensation and benefits		681,393
Professional fees		127,685
Occupancy		47,740
Registration fees		29,903
Insurance		17,600
Advertising and promotions		1,860
Other operating expenses		<u>94,576</u>
Total operating expenses		<u>1,712,278</u>
Net loss before income tax expense		(1,106,137)
Income tax expense		<u>—</u>
Net loss	\$	<u><u>(1,106,137)</u></u>

See accompanying notes to financial statements.

**OLD MUTUAL INVESTMENT PARTNERS**

## Statement of Changes in Stockholder's Equity

Year ended December 31, 2012

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance, December 31, 2010	\$ 1,000	75,523,444	(73,503,774)	2,020,670
Capital contributions	—	4,340,678	—	4,340,678
Net loss	—	—	(5,100,722)	(5,100,722)
Balance, December 31, 2011	1,000	79,864,122	(78,604,496)	1,260,626
Capital contributions	—	194,148	—	194,148
Net loss	—	—	(1,106,137)	(1,106,137)
Balance, December 31, 2012	<u>\$ 1,000</u>	<u>80,058,270</u>	<u>(79,710,633)</u>	<u>348,637</u>

See accompanying notes to financial statements.

## OLD MUTUAL INVESTMENT PARTNERS

### Statement of Cash Flows

Year ended December 31, 2012

Cash flows from operating activities:	
Net loss	\$ (1,106,137)
Adjustments to reconcile net loss to net cash used in operating activities:	
Payment of expenses in the form of a capital contribution	94,148
Depreciation and amortization	558
Loss on disposal of fixed assets	3,056
Changes in operating assets and liabilities:	
Decrease in commissions receivable	2,993
Increase in receivable from affiliates	(1,042)
Increase in prepaid expenses	(12,408)
Decrease in prepaid C share commissions	31,613
Decrease in other assets	34,316
Decrease in commissions payable	(496,061)
Increase in payables to affiliates	58,329
Decrease in accrued employee compensation and benefits	(305,214)
Decrease in accounts payable, accrued expenses, and other liabilities	(188,309)
Net cash used in operating activities	<u>(1,884,158)</u>
Cash flows from investing activities:	
Net cash used in investing activities	<u>—</u>
Cash flows from financing activities:	
Capital contributions	<u>100,000</u>
Net cash provided by financing activities	<u>100,000</u>
Net decrease in cash and cash equivalents	(1,784,158)
Cash and cash equivalents, beginning of year	<u>2,142,236</u>
Cash and cash equivalents, end of year	<u>\$ 358,078</u>
Noncash activity included herein:	
Capital contribution	\$ 94,198

See accompanying notes to financial statements.

**OLD MUTUAL INVESTMENT PARTNERS**  
(SEC Identification No. 8-50875)

Notes to Financial Statements

December 31, 2012

**(1) Organization and Summary of Significant Accounting Policies**

Old Mutual Investment Partners (OMIP or the Company), is a wholly owned subsidiary of Old Mutual Capital, Inc. (OMCAP), which is a wholly owned subsidiary of Old Mutual (U.S.) Holdings Inc. (OMUSH), which in turn is an indirect, wholly owned subsidiary of Old Mutual plc, an international financial services group based in London. OMIP commenced operations, in its current form, effective July 1, 2004. OMIP is registered as a broker-dealer under the Securities Exchange Act of 1934 (the Act) and applicable state law. Through April 2012, OMIP acted as a principal underwriter and distributor for Old Mutual Advisor Funds, Old Mutual Advisor Funds II, and Old Mutual Advisor Funds III (collectively, the Old Mutual Funds) all of which were related parties of the Company. OMIP also promoted the sale of shares of the Old Mutual Funds domestically by broker-dealers that are members in good standing of the Financial Industry Regulatory Authority (FINRA). The Company prepares its financial statements on an accrual basis.

Income is derived from commissions received from the sale of shares of the Old Mutual Funds managed by OMCAP. Expenses include those directly related to OMIP wholesale broker-dealer and distribution activities. No allocations are made by OMCAP for overhead, administrative services, rent, or compensation paid to an employee whose primary duties do not relate to distribution activities.

In April 2012, OMCAP sold the Old Mutual Funds to Touchstone Advisors, Inc. OMUSH's affiliated investment managers continue to serve as sub-advisors to a significant majority of those funds.

Management believes the Company will continue to receive financial support from OMUSH and OMCAP to allow the Company to meet its obligations as they become due and maintain its required net capital through at least a year from the date the financial statements were available to be issued.

**(a) Basis of Presentation**

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require the use of management estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(b) Revenue Recognition**

12b-1 service and distribution fees are accrued as earned.

**(c) Cash and Cash Equivalents**

The Company considers cash equivalents as liquid investments with original maturities of fewer than 90 days.

**OLD MUTUAL INVESTMENT PARTNERS**  
(SEC Identification No. 8-50875)

Notes to Financial Statements

December 31, 2012

The Company's cash and cash equivalents are financial instruments that are exposed to concentrations of credit risk. The Company invests its cash with high quality federally insured institutions. Cash balances with any one institution may be in excess of federally insured limits or may be invested in nonfederally insured money market accounts. The Company has not realized any losses in such cash investments or accounts and believes it is not exposed to any significant credit risk.

**(d) Furniture, Equipment, and Leasehold Improvements**

Furniture, equipment, and leasehold improvements are recorded at cost.

Depreciation on furniture, equipment, and leasehold improvements is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of computer equipment and software is three years, while office equipment and furniture and fixtures is five years. Leasehold improvements are amortized on the straight-line method over the shorter of the lease term or estimated useful life of the asset. Total depreciation and amortization for the year ended December 31, 2012 was \$558.

**(e) Income Taxes**

The Company uses the asset and liability method of accounting for income taxes on a "separate return" basis. Under this method, a subsidiary is assumed to file a separate return with the taxing authority, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from the parent. The rules followed by the subsidiary in computing its tax or refund should be the same as those followed by a taxpayer filing directly with the taxing authority. Accordingly, the subsidiary's tax provision may be based on a hypothetical separate income tax return. ASC 740-10-30-27 acknowledges that, if the separate return method is used, the sum of the amounts reflected in the financial statements of the individual subsidiaries may not equal the consolidated amount.

**(2) Stockholder's Equity**

The Company has 100,000 shares of common stock authorized, 10 of which are issued and outstanding. OMUSH and OMCAP intend to provide capital contributions to the Company as necessary for it to maintain compliance with minimum net capital requirements and meet its obligations for at least a year from the date the financial statements were available to be issued. During 2012, OMCAP made cash contributions to the Company in the amount of \$100,000 (note 4) as well as noncash contributions of \$94,148 in the form of assumed expenses.

**(3) Regulatory Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of a minimum net capital of \$25,000 and maintenance of a ratio (aggregate indebtedness to net capital), both as defined, that shall not exceed 15 to 1. Further, capital may not be withdrawn or cash dividends paid if the resulting aggregate indebtedness to net capital ratio would exceed 10 to 1. At December 31, 2012, the Company had net capital of \$261,607, which was

**OLD MUTUAL INVESTMENT PARTNERS**  
(SEC Identification No. 8-50875)

Notes to Financial Statements

December 31, 2012

\$236,607 in excess of the minimum net capital required and a ratio of aggregate indebtedness to net capital of 0.37 to 1.

At December 31, 2012, the Company is exempt from the provisions of Rule 15c3-3 (under paragraph k(2)(i) of such Rule) of the Act as it is a broker-dealer that deals solely in mutual fund shares and promptly transmits all customer funds and delivers all securities received in connection with its broker-dealer activities.

**(4) Related-Party Transactions**

Certain payroll and other expenses directly related to the Company's wholesale broker-dealer and distribution activities are paid directly by OMCAP. When these expenses are paid by OMCAP, the Company records a payable to an affiliate. During 2012, the Company received \$100,000 from OMCAP in cash capital contributions and OMCAP assumed payment of \$94,148 in amounts payable to affiliates as a noncash capital contribution.

Certain expenses are paid for by OMUSH and recharged to OMIP, as well as paid for by OMIP and recharged to OMUSH. Such recharges are settled in cash periodically. As of December 31, 2012, \$58,519 of these expenses are payable to OMUSH and included in Payable to affiliates in the statement of financial condition.

Through April 2012, OMIP earned \$555,011 in service and distribution fees from the Old Mutual Funds, which are included in 12b-1 service and distribution fees and other income on the statement of operations.

As OMIP is a member of a group of affiliated companies, it is possible that the terms of certain of the related-party transactions are not the same as those that would result from transactions among wholly unrelated parties.

**(5) Income Taxes**

The Company is operating at a loss as a separate taxpayer for the year ended December 31, 2012, therefore they have no current federal or state tax income tax liability. The Company however will be paying \$1,256 in non-income based state taxes for 2012.

The actual income tax benefit differs from the expected federal income tax benefit for the following reasons for the year ended December 31, 2012:

Computed "expected" income tax benefit at statutory rate	\$ (387,148)
Increase in income taxes resulting from:	
State income taxes, net of federal benefits	—
Valuation Allowance	387,282
Valuation Allowance - DTA write-off	(134)
Income tax expense	<u>          —</u>

**OLD MUTUAL INVESTMENT PARTNERS**  
(SEC Identification No. 8-50875)

Notes to Financial Statements

December 31, 2012

At December 31, 2012, the Company has gross deferred tax assets as follows:

Deferred tax assets:	
Federal net operating loss carryover	\$ 37,550,287
State net operating loss carryover	715,086
Other DTAs	—
	<hr/>
Total deferred tax asset	38,265,373
Less valuation allowance	<u>(38,265,373)</u>
Net deferred tax assets	\$ <u>—</u>

At December 31, 2012, the Company has a federal net operating loss of \$107,286,537 that will expire in 2019 through 2032 and state net operating losses of \$13,068,499 that will expire in 2013 through 2032. Based on projections of future taxable income, management does not believe it is more likely than not that it will realize the benefit of these deferred tax assets for federal or state income tax purposes. As such, a full valuation allowance has been recorded against the net operating loss carryovers and all the deferred tax assets arising from temporary differences.

The Company adopted the authoritative guidance under generally accepted accounting principles related to the accounting for uncertainty in income taxes. The Company evaluates tax positions taken or expected to be taken in the course of preparing the Company's financial statements to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions with respect to tax at the Company level not deemed to meet the "more likely than not" threshold would be recorded as a tax benefit or expense in the current year. Previously, the Company recognized the effect of income tax positions only if such positions were probable of being sustained. The Company has concluded that there was no impact related to uncertain tax positions on the results of operations of the Company for the year ended December 31, 2012. The Company's conclusions regarding tax positions will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analyses of tax laws, regulations, and interpretations thereof. The United States is the major tax jurisdiction for the Company and the earliest tax year subject to examination is 2009.

**(6) Commitments and Contingencies**

At this time, the Company does not have or is not aware of any pending litigation against the Company that would have a material impact on the Company's financial position or results of operations.

**(7) Subsequent Event Evaluation**

Management has evaluated the need for disclosures and/or adjustments resulting from subsequent events through February 25, 2013, the date the financial statements were available to be issued. This evaluation determined that there are no subsequent events that necessitated disclosure and/or adjustments.

**OLD MUTUAL INVESTMENT PARTNERS**

Computation of Net Capital under Rule 15c3-1 of the  
Securities Exchange Act of 1934

December 31, 2012

Net capital:		
Total stockholder's equity	\$	348,637
Deduct nonallowable assets:		
Receivable from affiliates		1,617
Prepays and other assets		85,413
		<u>87,030</u>
Net capital	\$	<u>261,607</u>
Aggregate indebtedness	\$	96,471
Computation of basic net capital requirement:		
Minimum net capital required: 6 2/3% of total aggregate indebtedness, but not less than \$25,000	\$	25,000
Excess of net capital over requirement		236,607
Excess of net capital at 1,000%		251,960
Excess of net capital at 1,500%		255,176
Ratio of aggregate indebtedness to net capital		0.37

There were no material differences between the Company's computation of net capital as reflected on the Form X-17 A-5, Part IIA and the above computation.

See accompanying report of independent registered public accounting firm.

**OLD MUTUAL INVESTMENT PARTNERS**  
(SEC Identification No. 8-50875)

Supplementary Information  
Pursuant to Rule 17a 5 of the Securities Exchange Act of 1934  
December 31, 2012

At December 31, 2012, the Company is exempt from the provisions of Rule 15c3-3 (under paragraph k(2)(i) of such Rule). Because of this exemption, the Company has not included the schedules Computation for Determination of Reserve Requirements under Rule 15c3-3 or Information for Possession or Control Requirements under Rule 15c3-3.

See accompanying report of independent registered public accounting firm.



**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

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

The Board of Trustees  
Old Mutual Investment Partners:

In planning and performing our audit of the financial statements of Old Mutual Investment Partners (the Company) as of and for the year ended 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 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) 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 quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
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 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 U.S. 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 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 trustees, management, the SEC, the Financial Industry Regulatory Agency, 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**

February 25, 2013