

## **SEC-Required Report on Routing of Customer Orders**

AOS, Inc., (AOS) has prepared this report pursuant to a U.S. Securities and Exchange Commission rule requiring all brokerage firms to make publicly available quarterly reports on their order routing practices. The report provides information on the routing of “non-directed orders” – any order that the customer has not specifically instructed us to route to a particular venue for execution. For these non-directed orders, AOS has selected the execution venue on behalf of its customers.

On or about September 25, 2005, AOS, an introducing broker dealer, began clearing all of its customer trades through Terra Nova Trading (TNT). Non-directed stock orders, and a non-directed option orders received by AOS are routed through TNT’s routing system with AOS responsible for selecting the execution venue. AOS’ routing report addresses the routing of all of these non-directed customer option orders. Please refer to AOS routing report attached below.

Separate sections of this report identify the venues most often selected by AOS when routing customers’ option orders and sets forth the percentages of various types of orders routed to each venue. AOS does not maintain additional relationships with any particular venue to which it routes option orders, nor do we have “payment for order flow” or “profit sharing” relationships with any such venues. All venues to which the firm’s customer option orders were routed are included in this report.



**SEC-Required Report on Routing of Customer Orders  
For Quarter Ending June 30,2010**

AOS, Inc. ("AOS") has prepared this report pursuant to U.S. Securities and Exchange Commission Rule 606 requiring all brokerage firms to make publicly available quarterly reports on the routing of "non-directed orders" – any order that the customer has not specifically instructed to be routed to a particular venue for execution. For many of these non-directed orders, AOS/Terra Nova Financial has selected the execution venue on behalf of its customers.

**SEC Rule 606 Report - Clearing TNF - 2nd Qtr, 2010**

**Non-directed Orders as Percentage of Total Customer Orders**

MPID	Exchange Reported		Percent Total
AOSC	NYSE		99.9
AOSC	Nasdaq		99.95
AOSC	Listed Options		99.98
AOSC	Amex and Regional Exchanges		99.98

**Categories of Total Non-directed Orders**

MPID	Exchange Reported	Category	Percent Total
AOSC	NYSE	Limit	60.66
AOSC	NYSE	Market	38.18
AOSC	NYSE	Other	1.06
AOSC	Nasdaq	Limit	84.87
AOSC	Nasdaq	Market	13.53
AOSC	Nasdaq	Other	1.55
AOSC	Listed Options	Limit	69.82
AOSC	Listed Options	Market	30.16
AOSC	Amex and Regional Exchanges	Limit	83.05
AOSC	Amex and Regional Exchanges	Market	16.93

**Venues Receiving Significant Percentage of Total Non-Directed Orders:**

MPID	Exchange Reported	Venue Name	Percent Total	Ranking
AOSC	NYSE	Barclays	89.77	1
AOSC	NYSE	NYSE Arca, L.L.C.*	10.13	2
AOSC	Nasdaq	Barclays	99.95	3
AOSC	Listed Options	Merrill Lynch, Pierce, Fenner & Smith, Inc.	99.91	4
AOSC	Listed Options	Terra Nova Financial, LLC	0.07	5
AOSC	Amex and Regional Exchanges	Barclays	99.98	6

**Information Concerning Significant Venues**

MPID	Exchange Reported	Venue Name	Category	Percent Total	Ranking
AOSC	NYSE	Barclays	Limit	51.39	1
AOSC	NYSE	Barclays	Market	37.53	1
AOSC	NYSE	Barclays	Other	0.85	1
AOSC	NYSE	NYSE Arca, L.L.C.*	Limit	9.27	2
AOSC	NYSE	NYSE Arca, L.L.C.*	Market	0.65	2
AOSC	NYSE	NYSE Arca, L.L.C.*	Other	0.21	2
AOSC	Nasdaq	Barclays	Limit	84.87	3
AOSC	Nasdaq	Barclays	Market	13.53	3
AOSC	Nasdaq	Barclays	Other	1.55	3
AOSC	Listed Options	Merrill Lynch, Pierce, Fenner & Smith, Inc.	Limit	69.82	4
AOSC	Listed Options	Merrill Lynch, Pierce, Fenner & Smith, Inc.	Market	30.09	4
AOSC	Listed Options	Terra Nova Financial, LLC	Market	0.07	5
AOSC	Amex and Regional Exchanges	Barclays	Limit	83.05	6
AOSC	Amex and Regional Exchanges	Barclays	Market	16.93	6

## **SEC-Required Report on Routing of Customer Orders**

AOS, Inc., (AOS) has prepared this report pursuant to a U.S. Securities and Exchange Commission rule requiring all brokerage firms to make publicly available quarterly reports on their order routing practices. The report provides information on the routing of “non-directed orders” – any order that the customer has not specifically instructed us to route to a particular venue for execution. For these non-directed orders, AOS has selected the execution venue on behalf of its customers.

On or about February 1, 2010, AOS, an introducing broker dealer, began clearing a portion of its customer trades through Penson Financial Services (PFS). Non-directed stock orders, and a non-directed option orders received by AOS are routed through PFS's routing system with AOS responsible for selecting the execution venue. AOS' routing report addresses the routing of all of these non-directed customer option orders. Please refer to AOS routing report attached below.

Separate sections of this report identify the venues most often selected by AOS when routing customers' option orders and sets forth the percentages of various types of orders routed to each venue. AOS does not maintain additional relationships with any particular venue to which it routes option orders, nor do we have “payment for order flow” or “profit sharing” relationships with any such venues. All venues to which the firm's customer option orders were routed are included in this report.



## **Penson Rule 606 Disclosure :: 2Q2010**

Penson Financial Services, Inc. (Penson) has prepared this report pursuant to a U.S. Securities and Exchange Commission rule requiring all brokerage firms to make available to the public quarterly reports about their order routing practices.

The report provides information on the routing of "non-directed orders" -- any order that the customer has not specifically instructed to be routed to a particular venue for execution. For these non-directed orders, Penson has selected the execution venue on behalf of its customers.

The report is divided into four sections:

1. New York Stock Exchange listed securities
2. Nasdaq Stock Market listed securities
3. American Stock Exchange and regional exchanges listed securities
4. Exchange listed options

For each section, this report identifies the venues most often selected by Penson, sets forth the percentage of various types of orders routed to the venues, and discusses the material aspects of Penson's relationship with the venues.

This report was prepared by S3, a third party market surveillance and auditing firm. Questions regarding this report should be addressed to the Penson Compliance Department at (800) 696-3585.



## 1. New York Stock Exchange Securities

<i>For quarter ending 6/30/2010</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Citadel Derivatives Group LLC<sup>1</sup></b>	<b>39.62%</b>	<b>33.86%</b>	<b>43.60%</b>	<b>1.05%</b>
<b>Direct Edge ECN LLC<sup>2</sup></b>	<b>26.02%</b>	<b>0.00%</b>	<b>36.09%</b>	<b>0.00%</b>
<b>Knight Capital Markets L.P.<sup>3</sup></b>	<b>25.07%</b>	<b>47.02%</b>	<b>13.96%</b>	<b>95.95%</b>
<b>Total PENSON Orders</b>	<b>100.0%</b>	<b>24.0%</b>	<b>72.1%</b>	<b>3.9%</b>

\* Other Orders are Stop Orders and Stop Limit Orders.

### New York Stock Exchange

The chart above shows the percentages of orders placed for securities trading on the New York Stock Exchange (NYSE).

<sup>1</sup> Penson receives payment from Citadel Derivates Group LLC (Citadel) for directing order flow to Citadel. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Citadel averaged less than \$0.002 per share for the period 2Q2010.

<sup>2</sup> Penson receives payment from Direct Edge ECN LLC for orders that add liquidity to EDGX and are subsequently executed. The rate for adding liquidity to EDGX was up to \$0.0029. PFSI is charged for removing liquidity from EDGX. The rate for removing liquidity from EDGX was up to \$0.0033 per share.

<sup>3</sup> Penson receives payment from Knight Capital Markets L.P. for directing order flow to Knight Capital Markets L.P. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Knight Capital Markets L.P. averaged less than \$0.002 per share for the period 2Q2010.



## 2. NASDAQ Stock Exchange Securities

<i>For quarter ending 6/30/2010</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Citadel Derivatives Group LLC<sup>1</sup></b>	<b>40.92%</b>	<b>27.95%</b>	<b>46.88%</b>	<b>0.74%</b>
<b>Knight Capital Markets L.P.<sup>2</sup></b>	<b>27.19%</b>	<b>49.65%</b>	<b>16.86%</b>	<b>96.84%</b>
<b>Direct Edge ECN LLC<sup>3</sup></b>	<b>21.61%</b>	<b>0.00%</b>	<b>28.82%</b>	<b>0.00%</b>
<b>Automated Trading Desk<sup>4</sup></b>	<b>3.11%</b>	<b>14.70%</b>	<b>0.13%</b>	<b>0.00%</b>
<b>Total PENSON Orders</b>	<b>100.0%</b>	<b>20.5%</b>	<b>75.0%</b>	<b>4.5%</b>

\* Other Orders are Stop Orders and Stop Limit Orders.

### Nasdaq

The chart above shows the percentages of orders placed for securities trading on the Nasdaq Stock Market (Nasdaq).

<sup>1</sup> Penson receives payment from Citadel Derivates Group LLC (Citadel) for directing order flow to Citadel. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Citadel averaged less than \$0.002 per share for the period 2Q2010.

<sup>2</sup> Penson receives payment from Knight Capital Markets L.P. for directing order flow to Knight Capital Markets L.P. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Knight Capital Markets L.P. averaged less than \$0.002 per share for the period 2Q2010.

<sup>3</sup> Penson receives payment from Direct Edge ECN LLC for orders that add liquidity to EDGX and are subsequently executed. The rate for adding liquidity to EDGX was up to \$0.0032. PFSI is charged for removing liquidity from EDGX. The rate for removing liquidity from EDGX was up to \$0.0028 per share.

<sup>4</sup> Penson receives payment from Automated Trading Desk for directing order flow to Automated Trading Desk. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Automated Trading Desk averaged less than \$0.002 per share for the period 2Q2010.



### 3. American / Regional Stock Exchange Securities

<i>For quarter ending 6/30/2010</i>	<b>Non-Directed Orders</b>	<b>Market Orders</b>	<b>Limit Orders</b>	<b>Other Orders*</b>
<b>Orders Routed to:</b>				
<b>Citadel Derivatives Group LLC<sup>1</sup></b>	<b>37.81%</b>	<b>31.20%</b>	<b>43.36%</b>	<b>0.57%</b>
<b>Knight Capital Markets L.P.<sup>2</sup></b>	<b>26.77%</b>	<b>49.13%</b>	<b>12.82%</b>	<b>96.41%</b>
<b>Direct Edge ECN LLC<sup>3</sup></b>	<b>25.06%</b>	<b>0.00%</b>	<b>36.16%</b>	<b>0.00%</b>
<b>Surge Trading Inc.<sup>4</sup></b>	<b>3.27%</b>	<b>8.15%</b>	<b>1.55%</b>	<b>3.00%</b>
<b>Total PENSON Orders</b>	<b>100.0%</b>	<b>24.8%</b>	<b>69.3%</b>	<b>5.9%</b>

\* Other Orders are Stop Orders and Stop Limit Orders.

#### **AMEX/Other**

The chart above shows the percentages of orders placed for securities trading on the American Stock Exchange (AMEX) and regional exchanges.

<sup>1</sup> Penson receives payment from Citadel Derivates Group LLC (Citadel) for directing order flow to Citadel. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Citadel averaged less than \$0.002 per share for the period 2Q2010.

<sup>2</sup> Penson receives payment from Knight Capital Markets L.P. for directing order flow to Knight Capital Markets L.P. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Knight Capital Markets L.P. averaged less than \$0.002 per share for the period 2Q2010.

<sup>3</sup> Penson receives payment from Direct Edge ECN LLC for orders that add liquidity to EDGX and are subsequently executed. The rate for adding liquidity to EDGX was up to \$0.0032. PFSI is charged for removing liquidity from EDGX. The rate for removing liquidity from EDGX was up to \$0.0028 per share.

<sup>2</sup> Penson receives payment from Surge Trading Inc. for directing order flow to Surge Trading Inc. Payment varies based upon a number of factors including but not limited to: Size of the order, NBBO spread in the security at the time of order execution, time of order placement, whether an order is marketable at the time of order entry, whether or not an order is price improved, and the underlying price of the security. Payments received from Surge Trading Inc. averaged less than \$0.002 per share for the period 2Q2010.



#### 4. Exchange Listed Options

<i>For quarter ending 6/30/2010</i>	Non-Directed Orders	Market Orders	Limit Orders	Other Orders*
<b>Orders Routed to:</b>				
<b>Citadel Derivatives Group LLC<sup>1</sup></b>	<b>48.52%</b>	<b>73.60%</b>	<b>45.43%</b>	<b>85.77%</b>
<b>NYSE Arca Options<sup>2</sup></b>	<b>35.70%</b>	<b>0.00%</b>	<b>39.72%</b>	<b>4.79%</b>
<b>Susquehanna Capital Group<sup>3</sup></b>	<b>13.16%</b>	<b>20.21%</b>	<b>12.57%</b>	<b>7.33%</b>
<b>International Securities Exchange<sup>4</sup></b>	<b>2.48%</b>	<b>6.06%</b>	<b>2.14%</b>	<b>1.62%</b>
<b>Total PENSON Orders</b>	<b>100.0%</b>	<b>8.8%</b>	<b>89.7%</b>	<b>1.5%</b>

\* Other Orders are Stop Orders and Stop Limit Orders.

#### Exchange Listed Options

The chart above shows the percentages of orders placed for securities trading as Exchange Listed Options.

Penson routes options orders to the CBOE, ISE, PHLX, PCX, AMEX, BOX, ARCA, CitiGroup and Citadel. It is common for these venues to make payments to brokerage firms for orders they execute at those venues; while Penson has participated in discussions with a few of these specialists, in many cases payments are made to Penson on a basis determined solely by the specialists and does not know how the payments were computed. In other cases, recipients such as Penson are advised by the specialist of the basis for payments, but those terms are set unilaterally by the specialist.

The nature of these relationships by destination are as follows:

<sup>1</sup> Citadel Derivatives Group LLC	\$0.00 to \$0.85 per contract
<sup>2</sup> NYSE Arca Options	PFSI receives a rebate of up to \$0.25 per contract that adds liquidity and pays up to \$0.45 for execution of contracts that take liquidity from the execution center.
<sup>3</sup> Susquehanna Capital Group	\$0.00 to \$0.75 per contract
<sup>4</sup> International Securities Exchange	\$0.00 to \$0.85 per contract