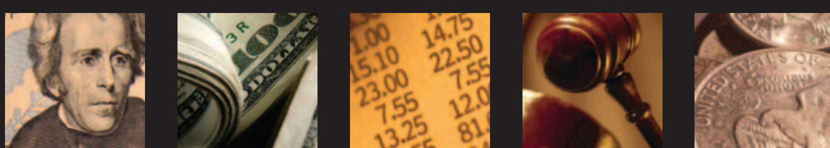
SECURITIES INVESTOR PROTECTION CORPORATION



ANNUAL REPORT 2010

SIPC

SECURITIES INVESTOR PROTECTION CORPORATION
805 FIFTEENTH STREET, N.W., SUITE 800
WASHINGTON, D.C. 20005-2215
(202) 371-8300 FAX (202) 371-6728
WWW.SIPC.ORG

April 29, 2011

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Chairman Schapiro:

On behalf of the Board of Directors I submit herewith the Fortieth Annual Report of the Securities Investor Protection Corporation pursuant to the provisions of Section 11(c)(2) of the Securities Investor Protection Act of 1970.

Respectfully,

Orlan M. Johnson
Chairman

CONTENTS

"SIPC shall not be an agency or establishment of the United States Government . . . . SIPC shall be a membership corporation the members of which shall be all persons registered as brokers or dealers* . . . ."

—Securities Investor Protection Act of 1970
Sec. 3(a)(1)(A) & (2)(A)

* Except those engaged exclusively in the distribution of mutual fund shares, the sale of variable annuities, the insurance business, furnishing investment advice to investment companies or insurance company separate accounts, and those whose principal business is conducted outside the United States. Also excluded are government securities brokers and dealers who are registered as such under section 15C(a)(1)(A) of the Securities Exchange Act of 1934, and persons who are registered as brokers or dealers under section 15(b)(11)(A) of the Securities Exchange Act of 1934.

MESSAGE FROM THE CHAIRMAN

SIPC And The Regulatory Regime For SIPC Members

For the first time in SIPC's corporate history, two consecutive calendar years have passed without the need for SIPC to initiate a customer protection proceeding for a SIPC member. As I noted in this message last year, this seems to be a clear indication that the SEC's net capital and customer protection rules have operated as intended to prevent the dissipation of customer assets that would give rise to a brokerage firm failure. Preventing brokerage firm failures in the first instance is the goal; the last two years have been successful in that regard.

The trustee in SIPC's largest liquidation proceeding in history, the Lehman Brothers Inc. case, has issued a report that states that even under the severe strains of the last days of Lehman's operations, "to a large degree, the Financial Responsibility Rules proved effective." Continued vigilance and adherence to those Rules remains the cornerstone of investor protection under the Securities Investor Protection Act ("SIPA").

SIPC And The Dodd-Frank Reforms

The prospect of a major financial institution failure was addressed in the historic Dodd-Frank Wall Street Reform and Consumer Protection Act. In the event of the impending failure of a systemically significant entity or corporate group which contains a SIPC member brokerage, the FDIC, SEC and SIPC will work together to protect investor interests and to prevent problems from spreading throughout the financial sector. Dodd-Frank also increased SIPC's line of credit with the Treasury to $2.5 billion, increased the protection of cash in a customer's account to $250,000, modified the minimum assessment on SIPC members, and instituted criminal penalties for false assertion of protection under SIPA.

The SIPC Modernization Task Force

The last significant amendments to the SIPA were in 1978. As I testified before the Senate Banking, Housing, and Urban Affairs Committee, I believed the time had come to reexamine the SIPA statute, and SIPC's operations, in light of history, the passage of time, and the recent financial crisis. Accordingly, SIPC convened the SIPC Modernization Task Force, a diverse body of experts, to review and recommend any necessary or useful changes to the SIPA statutory mandate ("Recommendations"). The Task Force also examined SIPC's corporate governance, and investor education programs which could be implemented without statutory amendment. I expect that the Task Force will submit the Recommendations to the SIPC Board, which will review those Recommendations and, in all likelihood, make legislative proposals.

Lehman Brothers Inc.

The Trustee has now determined 14,000 asserted customer claims seeking $88 billion. Coupled with the approximately 125,000 accounts, which were returned to customers in 2009, this means the Trustee has determined claims in an amount of approximately $180 billion.

The Trustee also issued a Preliminary Investigation Report and recommendations which not only chronicles the demise of the Lehman brokerage firm, but also makes constructive recommendations for the future.

In February 2010 the Bankruptcy Court issued an order outlining the allocation of estate assets as between "customer property" and the general estate of the firm.

Bernard L. Madoff Investment Securities LLC

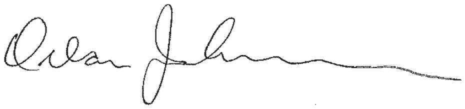
There have been stunning recoveries of assets to be distributed to customers in the Madoff case. SIPC and the Trustee, in collaboration with the United States Attorney's Office, secured $7.2 billion in settlement of a lawsuit which will return that sum to the victims of Madoff's fraud. This is by far the largest single asset forfeiture settlement not only in SIPC's 40-year corporate history, but also in U.S. history. One of the fundamental provisions of SIPA is that, in this situation, SIPC will absorb all of the administrative expenses associated with securing this settlement, that is, the forensic accounting, legal services, and associated costs, so that all of the proceeds will go directly to investors. Coupled with other major settlements, the Trustee hopes to be in a position to distribute significant sums to the Madoff victims in 2011.

Orlan M. Johnson

All of us at SIPC recognize that the Madoff Ponzi scheme is a tragedy for investors that has caused significant hardship. We are working hard to address the many challenges presented by the Madoff proceeding within the limits of SIPC's authority.

Tribute to Theodore H. Focht

SIPC's first President . . . indeed SIPC's first employee . . . passed away in 2010. First as General Counsel, and then as President and General Counsel, Ted Focht led SIPC from its creation in late 1970 until his retirement in 1994. It is no exaggeration to say that the Corporation's current organization, structure, and tradition of excellence reflect the high standards Ted set for himself and the SIPC staff. Ted was a superb appellate advocate, a writer of clarity and efficiency, and a mentor to those who worked for him. SIPC is fortunate to have had his guidance during the critical formative years, and beyond. We are all eternally grateful for Ted's strong commitment and leadership in making SIPC the organization that it is today. He will always be remembered fondly here and will be missed.



Orlan M. Johnson
Chairman

OVERVIEW OF SIPC

The Securities Investor Protection Corporation (SIPC) had its origins in the difficult years of 1968–70, when the paperwork crunch, brought on by unexpectedly high trading volume, was followed by a very severe decline in stock prices. Hundreds of broker-dealers were merged, acquired or simply went out of business. Some were unable to meet their obligations to customers and went bankrupt. Public confidence in our securities markets was in jeopardy.

Congress acted swiftly, passing the Securities Investor Protection Act of 1970, 15 U.S.C. § 78aaa *et seq.* (SIPA). Its purpose is to afford certain protections against loss to customers resulting from broker-dealer failure and, thereby, promote investor confidence in the nation's securities markets. Currently, the limits of protection are $500,000 per customer except that claims for cash are limited to $250,000 per customer.[Δ]

SIPC is a nonprofit, membership corporation. Its members are, with some exceptions, all persons registered as brokers or dealers under Section 15(b) of the Securities Exchange Act of 1934 and all persons who are members of a national securities exchange.*

A board of seven directors determines policies and governs operations. Five directors are appointed by the President of the United States subject to Senate approval. Three of the five represent the securities industry and two are from the general public. One director is appointed by the Secretary of the Treasury and one by the Federal Reserve Board from among the officers and employees of those organizations. The Chairman and the Vice Chairman are designated by the President from the public directors.

The self-regulatory organizations—the exchanges and the Financial Industry Regulatory Authority (FINRA)—and the Securities and Exchange Commission (SEC or Commission) report to SIPC concerning member broker-dealers who are in or approaching financial difficulty. If SIPC determines that the customers of a member require the protection afforded by the Act, the Corporation initiates steps to commence a customer protection proceeding[†]. This requires that SIPC apply to a Federal District Court for appointment of a trustee to carry out a liquidation. Under certain circumstances, SIPC may pay customer claims directly.

The SIPC staff, numbering 35, initiates the steps leading to the liquidation of a member, advises the trustee, his counsel and accountants, reviews claims, audits distributions of property, and carries out other activities pertaining to the Corporation's purposes. In cases where the court appoints SIPC as Trustee and in direct payment proceedings, the staff responsibilities and functions are all encompassing—from taking control of customers' and members' assets to satisfying valid customer claims and accounting for the handling of all assets and liabilities.

The resources required to protect customers beyond those available from the property in the possession of the trustee for the failed broker-dealer are advanced by SIPC. The sources of money for the SIPC Fund are assessments collected from SIPC members and interest on investments in United States Government securities. In addition, if the need arises, the SEC has the authority to lend SIPC up to $2.5 billion, which it, in turn, would borrow from the United States Treasury.

Δ See the series 100 Rules Identifying Accounts of "separate customers" of SIPC members.

* Section 3(a)(2)(A) of SIPA excludes:

(i) persons whose principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;

(ii) persons whose business as a broker or dealer consists exclusively of (I) the distribution of shares of registered open end investment companies or unit investment trusts, (I) the sale of variable annuities, (II) the business of insurance, or (IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts; and

(iii) persons who are registered as a broker or dealer pursuant to [15 U.S.C. § 78o(b)(11)(A)]

Also excluded are government securities brokers or dealers who are members of a national securities exchange but who are registered under section 15C(a)(1)(A) of the Securities Exchange Act of 1934 and brokers or dealers registered under Section 15(b)(11)(A) of the Securities Exchange Act of 1934.

Further information about the provisions for customer account protection is contained in a booklet, "How SIPC Protects You," which is available in bulk from the Securities Industry and Financial Markets Association (SIFMA), c/o Howard Press, 450 West First St., Roselle, NJ 07203, phone number (908)620-2547, and from the F NRA Book Store, P.O. Box 9403, Gaithersburg, MD 20898-9403. The web site address for FINRA orders is www.finra.org/Industry/order.htm and the phone number is (240)386-4200.

† Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) governs the orderly liquidation of financial companies whose failure and resolution under otherwise applicable Federal or state law would have serious adverse effects on U.S. financial stability. f the Dodd-Frank orderly liquidation authority is invoked with regard to a broker or dealer that is a SIPC member, the responsibility for the resolution of the broker or dealer will be shared between SIPC and the FDIC. For example, the FDIC will: (1) act as receiver of the broker-dealer; (2) appoint SIPC as trustee; and (3) jointly determine with SIPC the terms of the protective decree to be filed by SIPC with a federal district court of competent jurisdiction.

DIRECTORS & OFFICERS

DIRECTORS

Orlan M. Johnson, Esq.
Saul Ewing LLP
Chairman

Sharon Y. Bowen, Esq.
Latham & Watkins LLP
Vice Chairman

William H. Heyman
Vice Chairman and
Chief Investment Officer
The Travelers Companies, Inc.

William S. Jasien
Senior Vice President
ING Financial
Advisers LLC

Jeffrey A. Goldstein
Under Secretary for Domestic
Finance, United States
Department of the Treasury

Mark S. Shelton
Managing Director
and General Counsel
Legal & Compliance, US
UBS Financial Services, Inc.

David J. Stockton
Director, Division of
Research and Statistics
Board of Governors of the
Federal Reserve System

OFFICERS

Stephen P. Harbeck
President & CEO

Josephine Wang
General Counsel
& Secretary

Philip W. Carduck
Vice President—
Operations & Finance

CUSTOMER PROTECTION PROCEEDINGS

> **"An Act to Provide greater protection for customers of registered brokers and dealers and members of national securities exchanges."**
>
> —Preamble to SIPA

In 2009 and 2010, no customer protection proceedings were initiated. This compares with the five new cases commenced in 2008 (See Chairman's letter on page 3). Over the last ten-year period, the annual average of new cases was four. Since the inception of SIPC, 322 proceedings were commenced under SIPA. These 322 members represent less than one percent of the approximately 39,000 broker-dealers that have been SIPC members during the last forty years. Currently, SIPC has 4,773 members.

Of the 322 proceedings begun under SIPA to date, 315 have been completed, 3 involve pending litigation matters, and claims in 4 are being processed (See Figure 1 and Appendix 3).

During SIPC's 40-year history, cash and securities distributed for accounts of customers totaled approximately \$109.3 billion. Of that amount, approximately \$108.2 billion came from debtors' estates and \$1.08 billion came from the SIPC Fund (See Appendix 1).

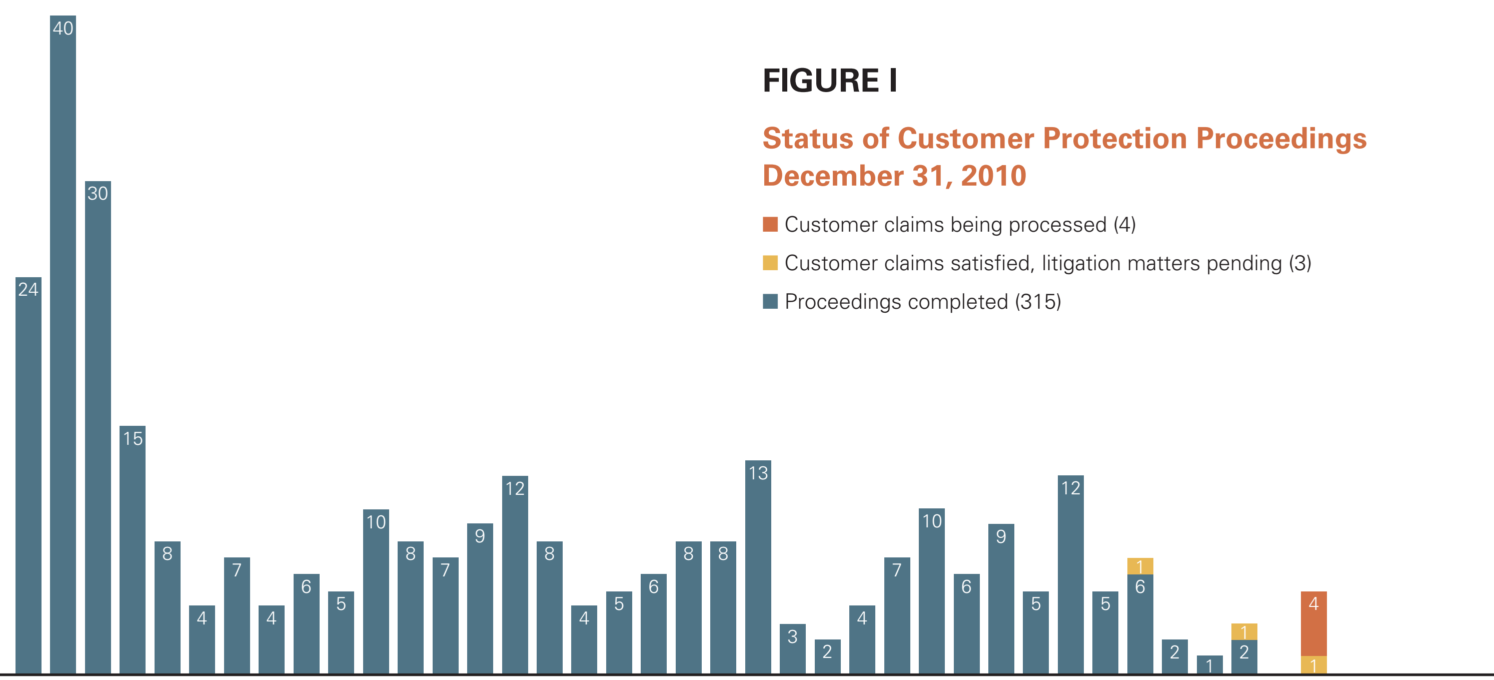


FIGURE I

Status of Customer Protection Proceedings December 31, 2010

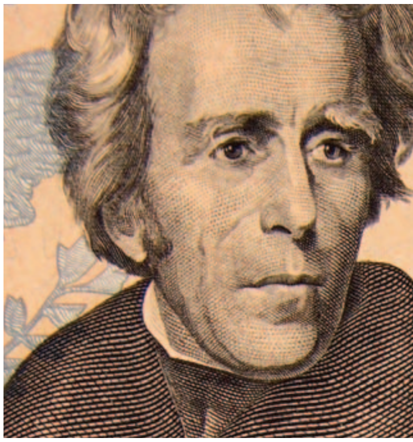
Year	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10
Total	24	40	30	15	8	4	7	4	6	5	10	8	7	9	12	8	4	5	6	8	8	13	3	2	4	7	10	6	9	5	12	5	7	2	1	3	0	5	0	0

proceedings commenced

Claims over the Limits

Of the more than 625,100 claims satisfied in completed or substantially completed cases as of December 31, 2010, a total of 351 were for cash and securities whose value was greater than the limits of protection afforded by SIPA.

The 351 claims, unchanged during 2010, represent less than one-tenth of one percent of all claims satisfied. The unsatisfied portion of claims, $47.2 million, is unchanged in 2010. These remaining claims approximate three-tenths of one percent of the total value of securities and cash distributed for accounts of customers in those cases.



SIPC Fund Advances

Table 1 shows that the 90 debtors, for which net advances of more than $1 million have been made from the SIPC Fund, accounted for 97 percent of the total advanced in all 322 customer protection proceedings. The largest net advance in a single liquidation is $1.06 billion in Bernard L. Madoff Investment Securities LLC. This exceeds the net advances in all of the other proceedings combined.

In 30 proceedings SIPC advanced $1.41 billion, or 89 percent of net advances from the SIPC Fund for all proceedings.

TABLE I

Net Advances from the SIPC Fund
December 31, 2010
322 Customer Protection Proceedings

Net Advances		Number of Proceedings	Amounts Advanced
From	To		
$40,000,001	up	1	$1,055,326,754
10,000,001	$40,000,000	11	226,739,718
5,000,001	10,000,000	18	130,861,849
1,000,001	5,000,000	60	133,621,037
500,001	1,000,000	38	28,180,004
250,001	500,000	42	14,567,962
100,001	250,000	60	9,696,580
50,001	100,000	42	2,995,426
25,001	50,000	23	845,893
10,001	25,000	11	168,668
0	10,000	9	26,087
Net Recovery		7	(13,991,621)*
			$1,589,038,357†

* Recovery of assets and appreciation of debtors' investments after the filing date enabled the trustee to repay SIPC its advances plus interest.

† Consists of advances for accounts of customers ($1,082,878,168) and for administration expenses ($506,160,189).

MEMBERSHIP AND THE SIPC FUND

"SIPC shall . . . impose upon its members such assessments as, after consultation with self-regulatory organizations, SIPC may deem necessary . . . ."

—SIPA, Sec. 4(c)2

The net decrease of 183 members during the year brought the total membership to 4,773 at December 31, 2010. Table 2 shows the members' affiliation for purposes of assessment collection, as well as the year's changes therein.

Delinquencies

Members who are delinquent in paying assessments receive notices pursuant to SIPA Section 14(a).[1] As of December 31, 2010, there were 24 members who were subjects of uncured notices, 17 of which were mailed during 2010, three during 2009, two in 2008 and two in 2003. SIPC has been advised by the SEC staff that: (a) 6 are no longer engaged in the securities business and are under review by the Commission for possible revocation and (b) 18 have been referred to the Regional Offices for possible cancellation.

SIPC Fund

The SIPC Fund, Table 5, on page 25, consisting of the aggregate of cash and investments in United States Government securities at fair value, amounted to $1.18 billion at year end, an increase of $90 million during 2010.

Tables 3 and 4, on pages 9 and 10, present principal revenues and expenses for the years 1971 through 2010. The 2010 member assessments were $409.2 million and interest from investments was $38.3 million. During the years 1971 through 1977, 1983 through 1985, 1989 through 1995, and 2009 through 2010, member assessments were based on a percentage of each member's gross revenue (net operating revenue for 1991 through 1995 and 2009 through 2010) from the securities business.

Appendix 2, on page 27, is an analysis of revenues and expenses for the five years ended December 31, 2010.

[1] 14(a) Failure to Pay Assessment, etc—If a member of SIPC shall fail to file any report or information required pursuant to this Act, or shall fail to pay when due all or any part of an assessment made upon such member pursuant to this Act, and such failure shall not have been cured, by the filing of such report or information or by the making of such payment, together with interest and penalty thereon, within five days after receipt by such member of written notice of such failure given by or on behalf of SIPC, it shall be unlawful for such member, unless specifically authorized by the Commission, to engage in business as a broker or dealer. If such member denies that it owes all or any part of the full amount so specified in such notice, it may after payment of the full amount so specified commence an action against SIPC in the appropriate United States district court to recover the amount it denies owing.

TABLE 2

SIPC Membership
Year Ended December 31, 2010

Agents for Collection of SIPC Assessments	Total	Added[a]	Terminated[a]
FINRA[b]	4,412	192	289
SIPC[c]	60	—	65[d]
Chicago Board Options Exchange Incorporated	194	20	13
American Stock Exchange LLC	31	—	12
NYSE Arca, Inc.[e]	21	1	15
NASDAQ OMX PHLX[f]	28	—	2
Chicago Stock Exchange, Incorporated	27	1	1
	4,773	214	397

Notes:

(a) The numbers in this category do not reflect transfers of members to successor collection agents that occurred within 2010.

(b) Effective July 30, 2007 the National Association of Securities Dealers, Inc. (NASD) and the regulatory functions of the New York Stock Exchange, Inc. (NYSE) merged to form the Financial Industry Regulatory Authority, Inc. (FINRA).

(c) SIPC serves as the collection agent for registrants under section 15(b) of the 1934 Act that are not members of any self-regulatory organization.

The "SIPC" designation is an extralegal category created by SIPC for internal purposes only. It is a category by default and mirrors the SECO broker-dealer category abolished by the SEC in 1983.

(d) This number reflects the temporary status of broker-dealers between the termination of membership in a self-regulatory organization and the effective date of the withdrawal or cancellation of registration under section 15(b) of the 1934 Act.

(e) Formerly the Pacific Stock Exchange, Inc.

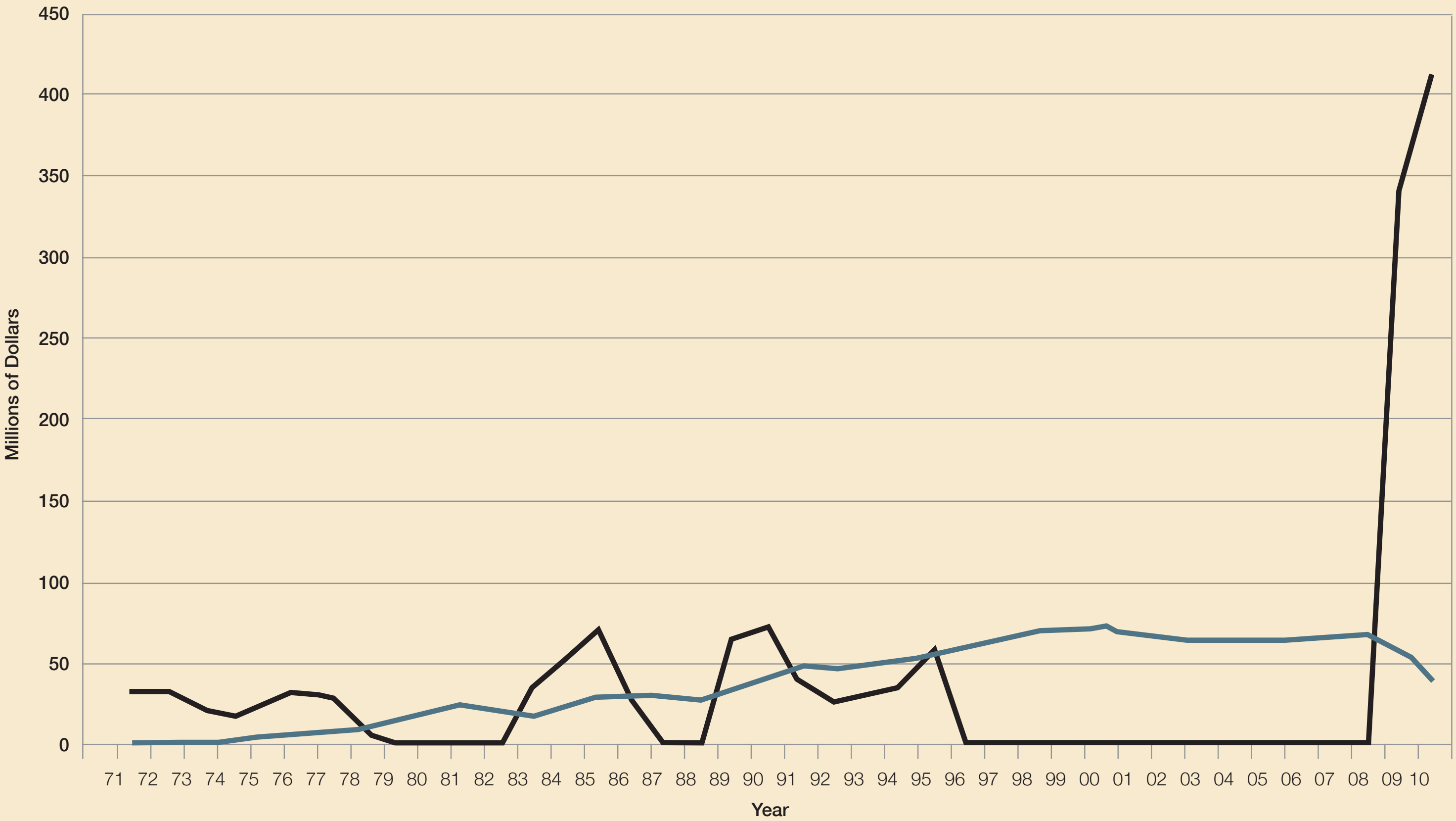
(f) Formerly the Philadelphia Stock Exchange, Inc.

TABLE 3

SIPC Revenues for the Forty Years Ended December 31, 2010

■ Member assessments and contributions: $1,492,407,646

■ Interest on U.S. Government securities: $1,572,833,970



History of Member Assessments*

1971: ½ of 1% plus an initial assessment of 1⁄8 of 1% of 1969 revenues ($150 minimum).

1972–1977: ½ of 1%.

January 1–June 30, 1978: ¼ of 1%.

July 1–December 31, 1978: None.

1979–1982: $25 annual assessment.

1983–March 31, 1986: ¼ of 1% effective May 1, 1983 ($25 minimum).

1986–1988: $100 annual assessment.

1989–1990: 3⁄16 of 1% ($150 minimum).

1991: .065% of members' net operating revenues ($150 minimum).

1992: .057% of members' net operating revenues ($150 minimum).

1993: .054% of members' net operating revenues ($150 minimum).

1994: .073% of members' net operating revenues ($150 minimum).

1995: .095% of members' net operating revenues ($150 minimum).

1996–March 31, 2009: $150 annual assessment.

April 1, 2009–December 31, 2010: .25% of members' net operating revenues.

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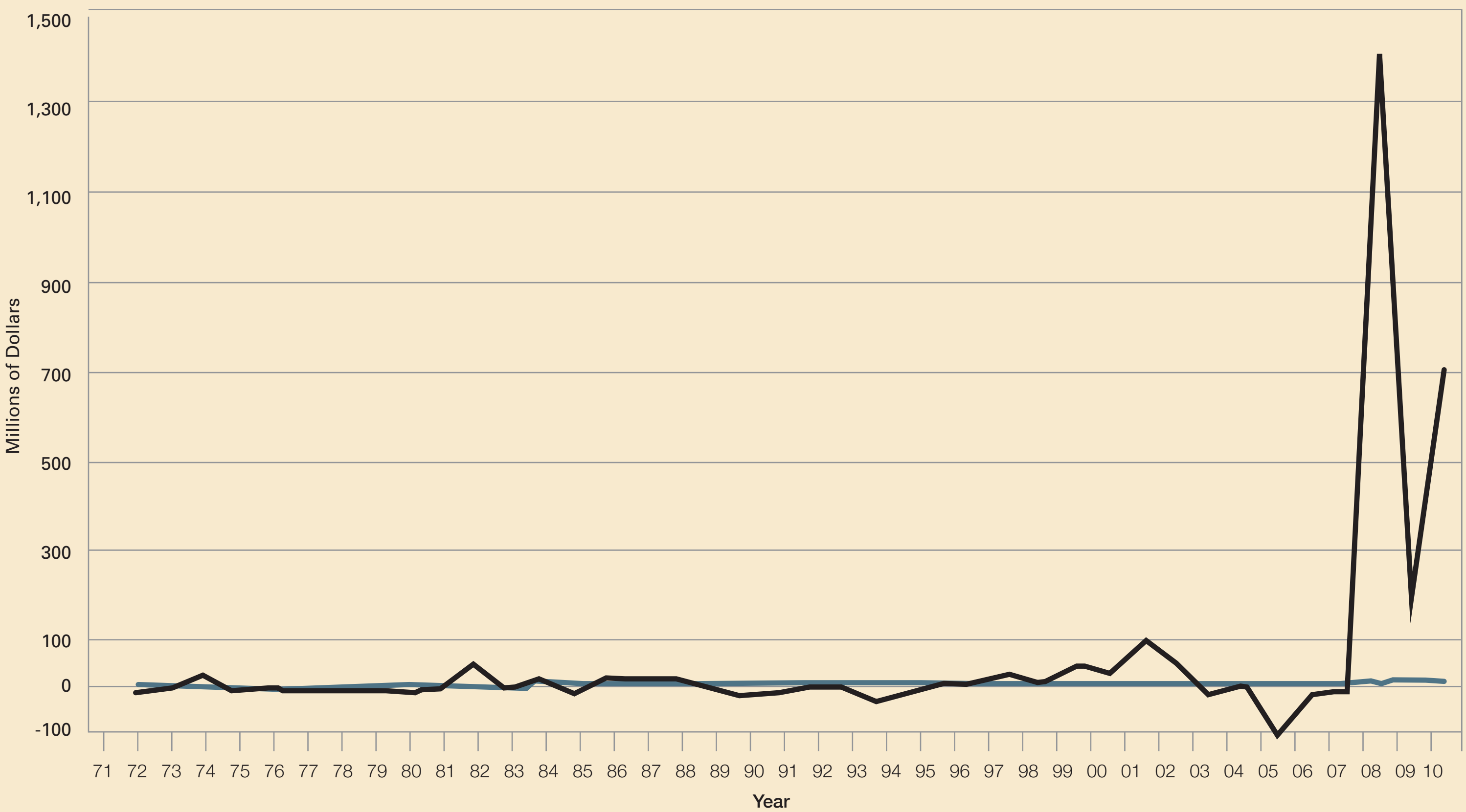
* Rates based on each member's gross revenues (net operating revenues for 1991–1995 and April 1, 2009 to present) from the securities business.

TABLE 4

SIPC Expenses for the Forty Years Ended December 31, 2010

■ Customer protection proceedings: $2,860,038,357 (Includes net advances of $1,589,038,357 and $1,271,000,000 of estimated costs to complete proceedings.)

■ Other expenses: $219,849,451



LITIGATION

During 2010, SIPC and SIPA trustees were actively involved in litigation at both the trial and appellate levels. The more noteworthy matters are summarized below:

The Bankruptcy Court in *In re Bernard L. Madoff Investment Securities LLC*, 424 B.R. 122 (Bankr. S.D.N.Y. 2010), *appeal pending*, No. 10-2378-BK(L) (2d Cir.), granted the trustee's motion for an order upholding his calculation of customers' "net equity" as the difference between the total amount deposited by the customer with the brokerage and the total amount withdrawn. Customer claimants challenged the trustee's determination, contending that what they were owed instead were the securities or the value thereof as shown on the last account statement issued to them by the brokerage. The statements were fictitious, reflected non-existent securities positions, backdated prices, and profits invented by Bernard Madoff. In affirming the trustee's calculus, the Court rejected the objecting claimants' argument that a customer's account statement is the only evidence of a customer's net equity. The Court held that the plain language and legislative history of the Securities Investor Protection Act ("SIPA") supported the trustee's examination of all of the debtor's books and records, and not just the account statements, which established the existence of the fraud and the artificial nature of the information in the account statement. The Court concluded that Second Circuit precedent supported the Trustee's calculation of net equity in a Ponzi scheme, and that it was "the more equitable and appropriate way to determine Net Equity."

In *Picard v. Fox (In re Bernard L. Madoff Investment Securities)*, 429 B.R. 423 (Bankr. S.D.N.Y. 2010), *appeal pending*, No. 10-cv-04653-JGK (S.D.N.Y.), the Bankruptcy Court granted the trustee's motion to enforce the automatic stay provision of the Bankruptcy Code and enjoined two customers from continuing actions against the estate of Jeffrey Picower who had withdrawn $7.2 billion more than he deposited with the debtor. In Florida District Court, these customers filed putative class actions against Mr. Picower, among others, for his asserted involvement in the Madoff Ponzi scheme, alleged conversion, unjust enrichment, conspiracy and violations of Florida's Racketeer Influenced and Corrupt Organizations Act. The customers sought the return of any ill gotten gains and damages. The Bankruptcy Court held these claims to belong to the estate, and the Florida Plaintiffs to be in violation of the automatic stay by pursuing their purported class action. To the extent that the automatic stay did not apply, the Court exercised its power to enter "necessary or appropriate" orders to enjoin the Florida actions because they interfered with the trustee's administration of the estate.

In *Rosenman Family, LLC v. Picard (In re Bernard L. Madoff Investment Securities)*, No. 09-5296-bk (2d Cir. 2010), the Court upheld the District Court's decision affirming the Bankruptcy Court's order granting the trustee's motion to dismiss a suit brought by a Madoff customer who had sought to recover its initial investment with the debtor, outside of the claims process in the liquidation proceeding. The customer had wired $10 million to an account of the debtor ten days before the "filing date" (the date for calculating net equity), alleging that the debtor was merely to "hold" the deposit. The Court upheld the lower court's rejection of the customer's argument that the debtor never acquired title to the deposit. Because the funds were voluntarily transferred, never diverted, and remained with the debtor, the Court agreed with the lower court that the funds were either customer property or part of the general estate.

In an appeal of the dismissal of a suit against the trustee seeking damages and a declaratory judgment, the District Court in *Peskin v. Picard*, No. 09 Civ. 8730 (JGK) (S.D.N.Y. Oct. 26, 2010), affirmed the Bankruptcy Court's decision granting the trustee's motion to dismiss the complaint. The plaintiffs, customer claimants, sued the trustee alleging a breach of fiduciary duty, and seeking a declaratory judgment that the investors' net equity should be determined based on the account balances in their last fictitious account statements, together with a determination that the trustee be barred from seeking preferences. The Court found that the plaintiffs were seeking accelerated resolution of the net equity issue in violation of the claims procedure order. The Court also held that declaratory judgment was not warranted on the preference and breach of fiduciary duty claims because the trustee had not filed any preference actions against the plaintiffs and because the net equity issue was pending resolution.

In *Picard v. Merkin (In re Bernard L. Madoff Investment Securities LLC)*, 440 B.R. 243 (Bankr. S.D.N.Y. 2010), *appeal pending*, No. 11-mc-00012-KMW (S.D.N.Y.), the Bankruptcy Court denied the defendants' motion to dismiss actual and constructive fraud claims filed by the trustee. The defendants withdrew more than $500 million from the debtor in the years before the filing date. The trustee sued seeking to avoid and recover from the defendants preferential and fraudulent transfers totaling $494.6 million. Although the trustee could not seek immediate turnover of the transferred funds, the Bankruptcy Court held that the trustee sufficiently pled his claims to avoid and recover actual fraudulent transfers and transfers that were constructively fraudulent under various sections of the Bankruptcy Code and sections of New York Debtor and Creditor Law. The Court held that the trustee also could seek to recover subsequent transfers from the defendants and attorney's fees, and could disallow claims asserted under SIPA by the defendants.

The Bankruptcy Court granted the trustee's motion to dismiss various counterclaims brought by the defendants in *Picard v. Chais (In re Bernard L. Madoff Securities LLC)*, 440 B.R. 282 (Bankr. S.D.N.Y. 2010). The trustee sued to avoid and recover various preferential payments and fraudulent transfers totaling more than $1 billion. The defendants responded with four counterclaims against the trustee, alleging that the trustee violated his duties, committed various torts, and violated due process by sending a letter to a third-party bank, which resulted in a freeze of certain defendants' account at the bank. The Court dismissed the counterclaims finding that because the trustee sent the letter in good faith while performing his duties as trustee, he was immune from liability. The Court also held that even if the trustee were not immune from liability, the counterclaims required dismissal because they stemmed from the implausible contention that the bank acted solely based on the trustee's letter, and because the defendants failed sufficiently to allege their tort and due process claims.

In the same adversary proceeding, *Picard v. Chais (In re Bernard L. Madoff Investment Securities LLC)*, 440 B.R. 274 (Bankr. S.D.N.Y. 2010), the Court denied a motion to dismiss for lack of personal jurisdiction filed by one defendant residing in Israel. The Court found that because the defendant maintained two accounts with the debtor in New York, had appointed an agent in New York for those accounts, and had made transfers from those accounts to her bank account in California, she had sufficient minimum contacts with the United States to establish the Court's personal jurisdiction over her.

After three putative or actual Madoff customer claimants sued past and present SIPC officials in federal District Court in New Jersey in *Canavan v. Harbeck, et al.,* No. 10-954 (FSH) (D.N.J. July 6, 2010), alleging false and fraudulent representations of SIPA protection, the District Court dismissed the suit as to SIPC's Government directors and granted the defendants' motion to transfer venue. The Court found that it lacked personal jurisdiction over the defendants because none of the alleged activities took place in New Jersey or targeted New Jersey. Recognizing the potential impact of the action on the bankruptcy estate in the Madoff liquidation, the Court determined the case to be related to that proceeding and transferred venue to the United States District Court for the Southern District of New York. In New York, the District Court referred the case to the Bankruptcy Court for that District where the plaintiffs voluntarily dismissed the action against the remaining defendants.

In *SIPC v. Lehman Brothers Inc.*, 433 B.R. 127 (Bankr. S.D.N.Y. 2010), the Bankruptcy Court granted the trustee's motion to uphold his determination of a customer claim filed by a mutual fund. At issue was the proper date for calculating the value of securities needed to close out short positions in the customer's special custody account. Depending on which date was used, the amount of the claim changed significantly because the value of the securities had fallen substantially between the filing date and the date that the securities were sold. The customer argued that because it was a large financial institution, it fit under provisions of the Bankruptcy Code and SIPA that allow financial participants to net-out securities contract positions. Thus, it claimed, the value of its net equity claim should be calculated based on the date of rejection or termination of the securities contracts with the debtor. In rejecting the argument, the Court found that financial participants' rights regarding securities contracts are distinct from the determination of net equity, and held that the proper date for determining net equity is the filing date.

In *SIPC v. Norman Peter Rounds (In re Norman Peter Rounds)*, Adv. No. 09-01220 ABC (Bankr. D. Colo. Aug. 6, 2010), the Court denied both parties' cross-motions for summary judgment. SIPC had filed an adversary proceeding seeking a determination that its judgments against the defendant, who was a principal and the president of a broker-dealer liquidated under SIPA in 1995, were not dischargeable under various provisions of the Bankruptcy Code. In denying the motions, the Bankruptcy Court held that the issues litigated years earlier, which had resulted in the subject judgments, did not have a preclusive effect in the pending suit. Moreover, the Court held that the doctrine of collateral estoppel did not prevent the litigation of the issues in the dischargeability suit.

In *Zaremba v. Federal Insurance Company (In re Continental Capital Investment Services, Inc. and Continental Capital Securities, Inc.)*, Adv. Pro. No. 09-3322 (Bankr. N.D. Ohio Sept. 30, 2010), the Court granted the trustee's motion to dismiss the defendant's counterclaim alleging fraudulent misrepresentation, but denied it as to other counterclaims. The trustee filed a complaint against the defendant insurance company seeking the remaining amounts owed on a bond issued to the debtor, which covered losses resulting from the dishonest or fraudulent acts committed by the debtor's employees. Alleging that the individual, who committed the dishonest and fraudulent acts was not an employee of the debtor, the defendant-insurer denied any liability and asserted counterclaims seeking a return of the amounts distributed earlier to the trustee. The Court dismissed the counterclaim alleging fraudulent misrepresentation by the trustee, but denied the motion with respect to the other claims holding, in part, that the facts establishing the trustee's affirmative defenses could not be ascertained from the complaint alone.

DISCIPLINARY AND CRIMINAL ACTIONS

SIPC routinely forwards to the Securities and Exchange Commission, for possible action under Section 14(b) of SIPA, the names of principals and others associated with members for which SIPC customer protection proceedings have been initiated. Those individuals are also reported to the self-regulatory organization exercising primary examining authority for appropriate action by the organization. Trustees appointed to administer customer protection proceedings and SIPC personnel cooperate with the SEC and with law enforcement authorities in their investigations of possible violations of law.

Criminal and Administrative Actions

Criminal actions have been initiated in 130 of the 322 SIPC proceedings commenced since enactment of the Securities Investor Protection Act in December 1970. A total of 311 indictments have been returned in federal or state courts, resulting in 271 convictions to date.

Administrative and/or criminal actions in 283 of the 322 SIPC customer protection proceedings initiated through December 31, 2010, were accomplished as follows:

Action Initiated	Number of Proceedings
Joint SEC/Self-Regulatory Administrative Actions	60
Exclusive SEC Administrative Actions	41
Exclusive Self-Regulatory Administrative Actions	52
Criminal and Administrative Actions	103
Criminal Actions Only	27
Total	283

In the 256 customer protection proceedings in which administrative actions have been effected, the following sanctions have been imposed against associated persons:

	SEC	Self-Regulatory Organizations
Notice of Suspension[1]	117	113
Bar from Association	353	231
Fines	Not Applicable	$11,733,781

Suspensions by self-regulatory authorities ranged from five days to a maximum of ten years. Those imposed by the SEC ranged from five days to a maximum of one year.

Bars against associated persons included exclusion from the securities business as well as bars from association in a principal or supervisory capacity.

The $11,733,781 in fines assessed by self-regulatory authorities were levied against 130 associated persons and ranged from $250 to $1,600,000.

Members In or Approaching Financial Difficulty

Section 5(a)(1) of SIPA requires the SEC or the self-regulatory organizations to immediately notify SIPC upon discovery of facts which indicate that a broker or dealer subject to their regulation is in or is approaching financial difficulty. The Commission, the securities exchanges and the FINRA fulfill this requirement through regulatory procedures which integrate examination and reporting programs with an early-warning procedure for notifying SIPC. The primary objective of those programs is the early identification of members which are in or are approaching financial or operational difficulty and the initiation of remedial action by the regulators necessary to protect the investing public.

Members on Active Referral

During the calendar year 2010 SIPC received no new referrals under Section 5(a).

In addition to formal referrals of members under Section 5(a), SIPC received periodic reports from the self-regulatory organizations identifying those members which, although not considered to be in or approaching financial difficulty, had failed to meet certain pre-established financial or operational criteria and were under closer-than-normal surveillance.

[1] Notices of suspension include those issued in conjunction with subsequent bars from association.

Audit • Tax • Advisory
Grant Thornton LLP
2010 Corporate Ridge, Suite 400
McLean, VA 22102-7838
T 703.847.7500
F 703.848.9580
www.GrantThornton.com

Report of Independent Certified Public Accountants

To the Board of Directors of
Securities Investor Protection Corporation

We have audited the accompanying statement of financial position of Securities Investor Protection Corporation (SIPC) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of SIPC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 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 SIPC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Securities Investor Protection Corporation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

McLean, Virginia
April 14, 2011

Statement of Financial Position as of December 31, 2010

ASSETS	
Cash	$ 3,983,479
U.S. Government securities, at fair value and accrued interest receivable of ($10,177,404); (amortized cost $1,104,659,132) (Note 6)	1,177,868,404
Estimated member assessments receivable (Note 3)	197,633,000
Advances to trustees for customer protection proceedings in progress, less allowance for possible losses ($1,088,297,838) (Note 4)	–
Prepaid benefit cost (Note 8)	615,728
Other (Note 5, Note 8 and Note 9)	2,816,408
	$1,382,917,019
LIABILITIES AND NET ASSETS	
Advances to trustess—in process (Note 4)	$ 103,414
Accrued benefit costs (Note 8)	4,747,760
Accounts payable and other accrued expenses	925,213
Deferred rent	362,182
Estimated costs to complete customer protection proceedings in progress (Note 4)	1,271,000,000
Member assessments received in advance (Note 3)	1,240,000
	1,278,378,569
Net assets	104,538,450
	$1,382,917,019

The accompanying notes are an integral part of these statements.

Statement of Activities
for the year ended December 31, 2010

Revenues:	
Member assessments (Note 3)	$409,200,016
Interest on U.S. Government securities	38,331,222
	447,531,238
Expenses:	
Salaries and employee benefits (Note 8)	8,254,272
Legal and accounting fees (Note 4)	678,276
Credit agreement commitment fee (Note 5)	83,330
Rent (Note 5)	747,231
Other	3,370,597
	13,133,706
Provision for estimated costs to complete customer protection proceedings in progress (Note 4)	706,145,403
	719,279,109
Total net expenses	(271,747,871)
Realized and unrealized gain on U.S. Government securities (Note 6)	32,321,095
Pension and postretirement benefit changes other than net periodic costs	(280,274)
Decrease in net assets	(239,707,050)
Net assets, beginning of year	344,245,500
Net assets, end of year	$104,538,450

Statement of Cash Flows
for the year ended December 31, 2010

Operating activities:	
Interest received from U.S. Government securities	$ 41,442,974
Member assessments received	422,723,817
Advances paid to trustees	(392,741,215)
Recoveries of advances	2,699,227
Salaries and other operating activities expenses paid	(11,952,337)
Net cash provided by operating activities	62,172,466
Investing activities:	
Proceeds from sales of U.S. Government securities	262,236,892
Purchases of U.S. Government securities	(324,686,909)
Purchases of furniture and equipment	(1,361,738)
Net cash used in investing activities	(63,811,755)
Decrease in cash	(1,639,289)
Cash, beginning of year	5,622,768
Cash, end of year	$ 3,983,479

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

1. Organization and general

The Securities Investor Protection Corporation (SIPC) was created by the Securities Investor Protection Act of 1970 (SIPA), which was enacted on December 30, 1970, primarily for the purpose of providing protection to customers of its members. SIPC is a nonprofit membership corporation and shall have succession until dissolved by an Act of Congress. Its members include all persons registered as brokers or dealers under Section 15(b) of the Securities Exchange Act of 1934 except for those persons excluded under SIPA.

SIPC is exempt from income taxes under 15 U.S.C. § 78kkk(e) of SIPA and under § 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. The "SIPC Fund" and SIPC's resources

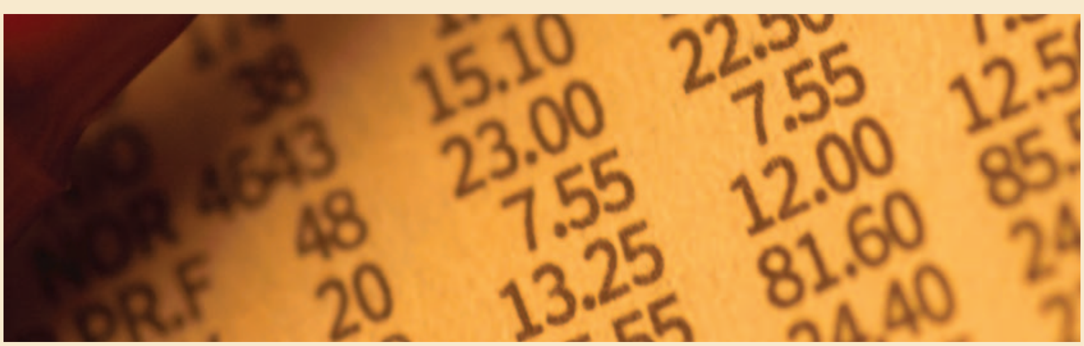
The "SIPC Fund," as defined by SIPA, consists of cash and U.S. Government securities aggregating $1,181,851,883.

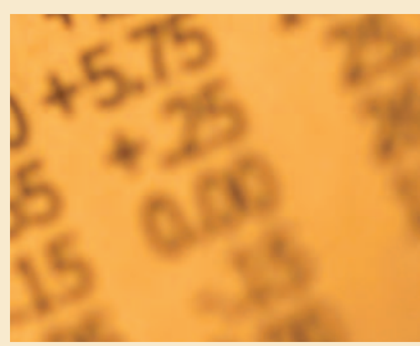
In the event the SIPC Fund is or may reasonably appear to be insufficient for the purposes of SIPA, the Securities and Exchange Commission is authorized to make loans to SIPC and, in that connection, the Commission is authorized to issue notes or other obligations to the Secretary of the Treasury in an aggregate amount not to exceed $2.5 billion. In addition, SIPC had maintained a $500 million revolving line of credit with a consortium of banks, which expired effective March 1, 2010.

3. Member Assessments

Section 78ddd(c) and (d) of SIPA states that SIPC shall, by bylaw, impose upon its members such assessments as, after consultation with self-regulatory organizations, SIPC may deem necessary and appropriate to establish and maintain the fund and to repay any borrowings by SIPC. If the balance of the fund aggregates less than $150,000,000, SIPC shall impose upon each of its members an assessment at a rate of not less than one-half of 1 per centum per annum. An assessment may be made at a rate in excess of one-half of one per centum if SIPC determines, in accordance with a bylaw, that such rate of assessment will not have a material adverse effect on the financial condition of its members or their customers, except that no assessments shall exceed one per centum of such member's gross revenues from the securities business.

Effective April 1, 2009, each member's assessment was established by bylaw at the rate of ¼ of 1% of net operating revenues from the securities business or $150, whichever was greater. Effective July 22, 2010, the $150 minimum assessment was eliminated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Assessments received in advance will be applied to future assessments and are not refundable except to terminated members. Estimated member assessments receivable represents assessments on members' revenue for calendar 2010 but not received until 2011.





4. Customer protection proceedings

The trustee commenced a SIPA liquidation of Lehman Brothers Inc. (LBI) on September 19, 2008. As of December 31, 2010, through the account transfer and claims process, the estate had received 124,980 customer claims and had resolved through the transfer of these accounts to solvent broker-dealers more than 110,000 of these claims. The remaining customer claims fall into four categories: claims on behalf of prime brokerage arrangements, claims by Lehman Brothers Holding, Inc. (LBHI) and certain of its affiliates, claims filed by Lehman Brothers International (LBIE), and claims by other Lehman affiliates. To date, in connection with the satisfaction of determined claims, the Trustee has requested and SIPC has advanced approximately $8.4 million to cover investor losses.

Of the approximately $180 billion customer claims submitted, $92.3 billion of these claims, including nearly all of LBI's former "retail" customers, have been resolved through letters of determination that have become final. Of the approximately $88 billion in asserted claims being dealt with through the SIPA claims process, $47.6 billion have been resolved and the SIPA trustee is in negotiations with LBHI, LBIE, and certain other Lehman affiliates to verify the remaining $40.4 billion of pending claims to the records of LBI.

At present, the foregoing and certain other contingencies are indeterminate and may take several years of litigation to resolve. Based on current information, including the amounts in issue and the sophistication of the parties, it is reasonably possible that enough of these contingencies could be resolved by the courts in a manner that might require the trustee in future years to request additional funds from SIPC in order to satisfy any shortfalls in customer property that arise as a result of the resolution of these contingencies. The amount of such requests for additional advances, if any, could range from nominal amounts to in excess of $1 billion.

In the Bernard L. Madoff Investment Securities LLC proceeding, the trustee, utilizing the customer records available from the computer files of the firm identified those accounts believed to be valid customers. In accordance with section 78lll (2) of SIPA, the definition of a "customer" includes a "person who has deposited cash with the debtor for the purpose of purchasing securities." The customer can be an individual, a corporation, a partnership, a pension plan or a "feeder fund." The trustee then calculated the "net cash" positions (cash deposited less cash withdrawn) for each customers' account and where available, this information was compared to other source documentation including banking records and customer portfolio files. Based on that valuation, the trustee determined the customer's net equity and maximum claim allowed under SIPA. Including administrative costs, management estimates that the total charges to SIPC for this case to be approximately $2.3 billion ($1.4 billion recognized in 2008, $200 million recognized in 2009 and $700 million recognized in 2010). As actual claims are processed, the trustee will determine the ultimate amount of payment for each claim. Claims can be disputed, which among other factors, could cause the ultimate amount of the claims to differ from the current estimate. Any changes in the estimate will be accounted for prospectively.

The trustee has entered into various lawsuits to recover funds for claimants in this proceeding. On December 17, 2010, a representative of the Picower estate deposited $7.2 billion in escrow accounts in settlement of a lawsuit. These funds will remain in escrow pending final and non-appealable court approval.

SIPC and Trustees appointed under SIPA are subject to legal claims arising out of the proceedings and there are certain legal claims pending seeking coverage under SIPA. These claims are considered in determining estimated costs to complete proceedings and management believes that any liabilities or settlements arising from these claims will not have a material effect on SIPC's net assets.

SIPC has advanced a net of $1.09 billion for proceedings in progress to carry out its statutory obligation to satisfy customer claims and to pay administration expenses which is not expected to be recovered.

Customer payments and related expenses of direct payment proceedings are recorded as expenses as they are incurred.

Legal and accounting fees include fees and expenses of litigation related to proceedings.

These financial statements do not include accountability for assets and liabilities of members being liquidated by SIPC as Trustee. Such accountability is reflected in reports required to be filed with the courts having jurisdiction.

The following table summarizes transactions during the year ended December 31, 2010 that result from these proceedings:

	Customer Protection Proceedings	
	Advances to trustees, less allowance for possible losses	Estimated costs to complete
Balance, beginning of year	$1,900,000	$ 956,900,000
Add:		
Provision for current year recoveries	800,000	
Provision for estimated future recoveries	—	
Provision for estimated costs to complete proceedings	—	707,000,000
Less:		
Recoveries	2,700,000	—
Advances to trustees	—	392,900,000
Balance, end of year	$ —	$1,271,000,000

5. Commitments

Future minimum rentals for office space in Washington, D.C., under a ten-year lease expiring August 31, 2015, are as follows: 2011- $567,259; 2012 - $581,485; 2013 - $595,988; 2014 - $610,905; 2015 - $417,490; for a total of $2,773,127, as of December 31, 2010. Additional rental based on increases in operating expenses and real estate taxes is required by the lease. The rent holiday of $41,567 and the leasehold improvement incentive of $345,300 are being amortized over the life of the lease, see Note 9.

On August 31, 2007, SIPC renewed its lease for additional office space in Fairfax, Virginia. The new five-year lease commenced August 1, 2008. Future minimum rentals for the space, expiring on July 31, 2013, are as follows: 2011 - $112,787; 2012 - $116,171; 2013 - $68,937; for a total of $297,895 as of December 31, 2010. Additional rental is based on increases in operating expenses including real estate taxes as required by the lease.

In March of 2007 a $500 million 3-year revolving credit facility with a commitment fee of .10% per year was entered into. Upfront fees ranging from .12% to .15% were paid to certain banks based on the level of their commitment. This facility expired in March 2010.

6. Fair value of securities

SIPC adopted guidance that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 – Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the entity.

SIPC considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The fair value of the U.S. Government securities is based on the Federal Reserve Bank of New York bid quote as of December 31, 2010. As a bid quote on U.S. Government securities vary substantially among market makers, the fair value bid quote is considered a level 2 input under the guidance. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there isn't sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly.

U.S. Government securities as of December 31, 2010, included gross unrealized gains of $76,650,722 and gross unrealized losses of $3,441,450.

7. Reconciliation of decrease in net assets to net cash provided by operating activities:

Decrease in net assets	$(239,707,050)
Net increase in estimated cost to complete customer protection proceedings	314,100,000
Realized and unrealized gain on U.S. Government securities	(32,321,095)
Decrease in estimated assessment receivable	12,983,800
Net amortized discount on U.S. Government securities	2,018,668
Net decrease in estimated recoveries of advances to trustees	1,900,000
Decrease in accrued interest receivable on U.S. Government securities	1,093,083
Decrease in prepaid expenses	796,395
Increase in member assessments received in advance	540,000
Increase in payables and accrued expenses	527,104
Depreciation and amortization	273,758
Decrease in deferred rent	(32,709)
Loss on disposal of assets	512
Net cash provided by operating activities	$ 62,172,466

8. Pensions and Other Postretirement Benefits

SIPC has a noncontributory defined benefit plan and a contributory defined contribution plan which cover all employees. SIPC also has a supplemental non-qualified retirement plan for certain employees. The $407,001 year end market value of the supplemental plan is reflected in Other assets and as a deferred compensation liability in accrued benefit costs. In addition, SIPC has two defined benefit postretirement plans that cover all employees. One plan provides medical and dental insurance benefits and the other provides life insurance benefits. The postretirement health care plan is contributory, with retiree contributions adjusted annually to reflect changes in gross premiums; the life insurance plan is noncontributory.

SIPC is required to recognize the overfunded or underfunded status of the defined benefit plans as an asset or liability in the Statement of Financial Position and to recognize the funded status in the year in which the change occurs through the Statement of Activities. In addition, SIPC is required to recognize within the Statement of Activities, gains and losses due to differences between actuarial assumptions and actual experience and any effects on prior service due to plan amendments that arise during the period and which are not being recognized as net periodic benefit costs.

	Pension Benefits	Other Postretirement Benefits
Change in Benefit Obligation		
Benefit obligation at beginning of year	$26,417,319	$ 4,102,819
Service cost	717,263	137,843
Interest cost	1,554,339	246,620
Plan participants' contributions	—	15,123
Amendments	—	(81,242)
Actuarial loss	1,966,892	15,706
Benefits paid	(804,777)	(96,110)
Benefit obligation at end of year	$29,851,036	$ 4,340,759
Change in Plan Assets		
Fair value of plan assets at beginning of year	$27,905,675	$ —
Actual return on plan assets	3,365,866	—
Employer contributions prior to measurement date	—	—
Employer contributions	—	80,987
Plan participants' contributions	—	15,123
Benefits paid	(804,777)	(96,110)
Fair value of plan assets at end of year	$30,466,764	$ —
Funded status	$ 615,728	$(4,340,759)
Employer contributions between measurement and statement date	—	—
Funded status at year end	$ 615,728	$(4,340,759)
Amounts Recognized in the Statement of Financial Position and Net Assets consist of:		
Noncurrent assets	$ 615,728	$ —
Current liabilities	—	(109,766)
Noncurrent liabilities	—	(4,230,993)
Net amount recognized in the Statement of Financial Position	$ 615,728	$(4,340,759)

	Pension Benefits	Other Postretirement Benefits
Other Amounts Recognized within the Statement of Activities consist of:		
Net actuarial loss (gain)	$ 131,485	$ (101,558)
Prior service (credit) cost	(58,098)	308,444
Pension and postretirement benefit changes other than net periodic benefit costs	$ 73,387	$ 206,886
Accumulated Benefit Obligation end of year	$27,583,362	$ 4,340,759
Weighted-average Assumptions for Disclosure as of December 31, 2010		
Discount rate	5.50%	5.70%
Salary scale	4.00%	N/A
Health Care Cost Trend: Initial	N/A	8.00%
Health Care Cost Trend: Ultimate	N/A	5.00%
Year Ultimate Reached	N/A	2017
Components of Net Periodic Benefit Cost and Other Amounts Recognized within the Statement of Activities		
Net periodic benefit cost		
Service cost	$ 717,263	$ 137,843
Interest cost	1,554,339	246,620
Expected return on plan assets	(2,191,715)	—
Recognized prior service cost (credit)	58,098	(389,686)
Recognized actuarial loss	661,256	117,263
Net periodic benefit cost	799,241	112,040
Other Changes in Plan Assets and Benefit Obligations Recognized within the Statement of Activities		
Net actuarial loss	792,741	15,706
Recognized actuarial loss	(661,256)	(117,263)
Prior service cost (credit)	—	(81,242)
Recognized prior service (cost) credit	(58,098)	389,686
Total recognized within the Statement of Activities	73,387	206,887
Total recognized in net benefit cost and within the Statement of Activities	$ 872,628	$ 318,927
Amounts Expected to be Recognized in Net Periodic Cost in the Coming Year		
Loss recognition	$ 710,642	$ 112,346
Prior service cost (credit) recognition	58,098	(406,502)
Total	$ 768,740	$ (294,156)
Effect of a 1% Increase in Trend on:		
Benefit Obligation	N/A	$ 655,433
Total Service Interest Cost	N/A	$ 72,339
Effect of a 1% Decrease in Trend on:		
Benefit Obligation	N/A	$ (536,938)
Total Service Interest Cost	N/A	$ (57,697)

	Pension Benefits	Other Postretirement Benefits
Weighted-average Assumptions for Net Periodic Cost as of December 31, 2010		
Discount rate	6.00%	6.10%
Expected asset return	8.00%	N/A
Salary scale	4.00%	N/A
Health Care Cost Trend: Initial	N/A	8.50%
Health Care Cost Trend: Ultimate	N/A	5.00%
Year Ultimate Reached	N/A	2017

For the pension plan, the change in unrecognized net gain/loss is one measure of the degree to which important assumptions have coincided with actual experience. During 2010, the unrecognized net loss increased by 0.5% of the 12/31/2009 projected benefit obligation.

The discount rate was determined by projecting the plan's expected future benefit payments as defined for the projected benefit obligation, discounting those expected payments using a theoretical zero-coupon spot yield curve derived from a universe of high-quality bonds as of the measurement date, and solving for the single equivalent discount rate that resulted in the same projected benefit obligation. A 1% increase/(decrease) in the discount rate would have (decreased)/increased the net periodic benefit cost for 2010 by ($430,000)/$444,000 and (decreased)/increased the year-end projected benefit obligation by ($3.2)/$3.6 million.

Pension Plan Asset Summary

Asset Category	Quoted Prices in Active Markets for Identical Assets (Level1)
Equity securities:	
U.S. large and multi-cap mutual funds	$16,345,733
Non-U.S. large and multi-cap mutual funds	4,022,798
Total Equity	20,368,531
Fixed Income securities:	
U.S. Treasuries/Government & corporate bond mutual funds	10,098,233
Total Fixed Income	10,098,233
Total	$30,466,764

Expected Return on Assets

The expected return on the pension plan assets was determined based on historical and expected future returns of the various asset classes using the target allocations described on page 24. A 1% increase/(decrease) in the expected return assumption would have (decreased)/increased the net periodic benefit cost for 2010 by $275,000.

Investment Policy

The plan's investment policy includes a mandate to diversify assets and in a variety of asset classes to achieve that goal. The plan's assets are currently invested in a variety of funds representing most standard equity and debt security classes.

Pension Plan Asset Category	Expected Long-Term Return	Target Allocation	Actual Allocation 12/31/2010
Equity securities	10.25%	60–70%	68%
Debt securities	4.50%	40–30%	32%
Total	8.00–8.50%	100%	100%

Estimated Future Benefit Payments

Estimated future benefit payments, including future benefit accrual

	Pension	Other Benefits
2011	$ 1,168,470	$ 112,900
2012	$ 1,548,188	$ 170,700
2013	$ 1,639,520	$ 179,700
2014	$ 1,711,474	$ 203,800
2015	$ 1,836,794	$ 194,900
2016–2020	$10,552,345	$ 1,260,000

Contributions

The company expects to make no contributions to the pension plan in 2011 for the 2010 plan year and $112,900 to the postretirement benefit plan during 2011.

Defined Contribution Plan

SIPC contributions (60% of employee contributions, up to 3.6% of compensation)	$ 161,787

9. Fixed Assets

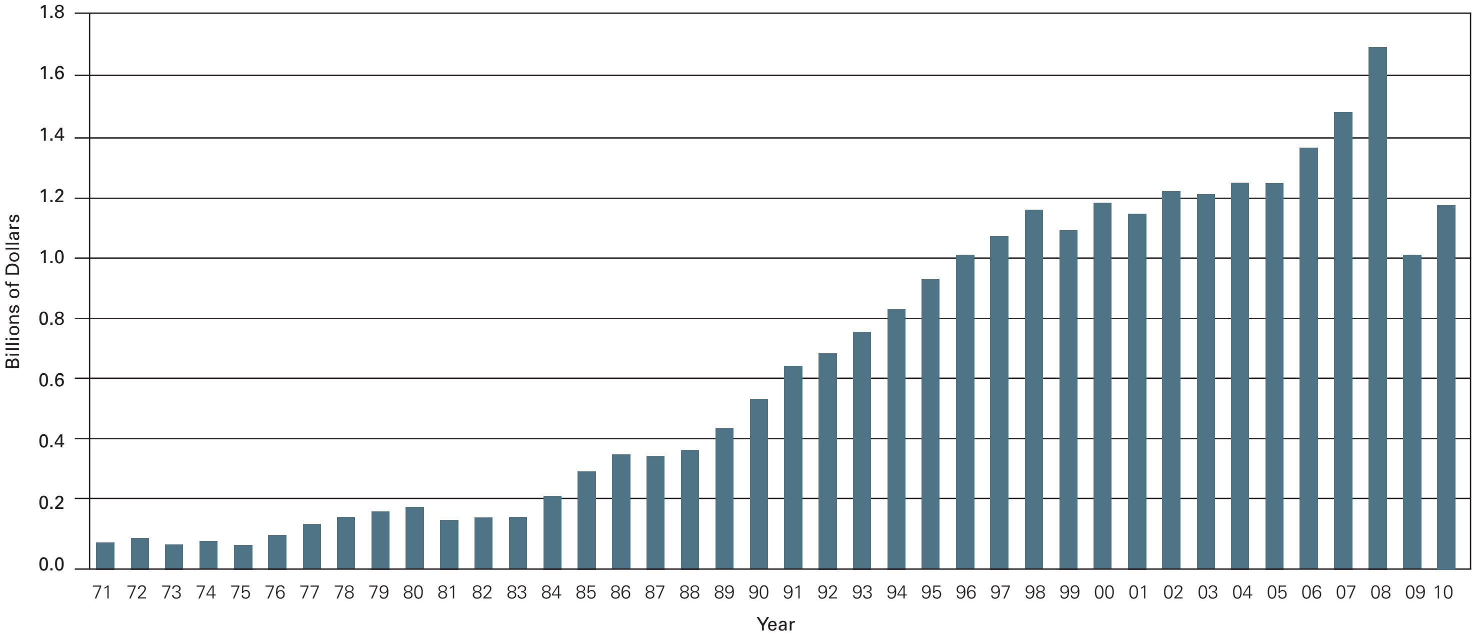
SIPC's policy is to capitalize fixed assets costing $500 or more, and to depreciate those assets using a straight line depreciation method of five years for equipment and ten years for furniture. Leasehold improvements are amortized over the shorter of their economic life or the term of the lease. Equipment and furniture, and leaseholds are included in "Other" assets within the Statement of Financial Position. Their net remaining balances December 31, 2010 are $1,099,809 (net of $1,195,800 accumulated depreciation) and $319,267 (net of $227,287 accumulated amortization), respectively.

10. Subsequent events

SIPC evaluated its December 31, 2010 financial statements for subsequent events through April 14, 2011, the date the financial statements were available to be issued. SIPC is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

TABLE 5

SIPC Fund Comparison
Inception to December 31, 2010



APPENDIX 1 DISTRIBUTIONS FOR ACCOUNTS OF CUSTOMERS
for the Forty Years Ended December 31, 2010 (In Thousands of Dollars)

	From Debtor's Estates	From SIPC			
	As Reported by Trustees	Advances*	Recoveries*	Net	Total
1971	$ 271	$ 401		$ 401	$ 672
1972	9,300	7,347	$ (4)	7,343	16,643
1973	170,672	35,709	(4,003)	31,706	202,378
1974	21,582	4,903	(5,125)	(222)	21,360
1975	6,379	6,952	(2,206)	4,746	11,125
1976	19,901	1,292	(528)	764	20,665
1977	5,462	2,255	(2,001)	254	5,716
1978	1,242	4,200	(1,682)	2,518	3,760
1979	9,561	1,754	(6,533)	(4,779)	4,782
1980	10,163	3,846	(998)	2,848	13,011
1981	36,738	64,311	(1,073)	63,238	99,976
1982	28,442	13,807	(4,448)	9,359	37,801
1983	21,901	52,927	(15,789)	37,138	59,039
1984	184,910	11,480	(13,472)	(1,992)	182,918
1985	180,973	19,400	(11,726)	7,674	188,647
1986	28,570	14,886	(4,414)	10,472	39,042
1987	394,443	20,425	(2,597)	17,828	412,271
1988	72,052	8,707	(10,585)	(1,878)	70,174
1989	121,958	(5,481)	(10,244)	(15,725)	106,233
1990	301,237	3,960	(4,444)	(484)	300,753
1991	1,943	6,234	(2,609)	3,625	5,568
1992	34,634	7,816	(230)	7,586	42,220
1993	115,881	4,372	(9,559)	(5,187)	110,694
1994	(14,882)†	(1,283)	(3,829)	(5,112)	(19,994)
1995	585,756	17,850	(4,196)	13,654	599,410
1996	4,770	(1,491)	(10,625)	(12,116)	(7,346)
1997	314,813	22,366	(4,527)	17,839	332,652
1998	3,605	4,458	(1,571)	2,887	6,492
1999	477,635	47,360	(7,460)	39,900	517,535
2000	364,065	26,330	(3,413)	22,917	386,982
2001	10,110,355	200,967	(87,538)	113,429	10,223,784
2002	606,593	40,785	(5,812)	34,973	641,566
2003	(643,242)△	22,729	(4,425)	18,304	(624,938)
2004	209,025	(11,662)△	(37,700)	(49,362)	159,663
2005	(24,245)#	1,175	(4,342)	(3,167)	(27,412)
2006	1,635,006	2,653	(51,942)	(49,289)	1,585,717
2007	1,167	7,054	(6,624)	430	1,597
2008	144,265,058	1,982	(709)	1,273	144,266,331
2009	(52,025,582)@	543,280	(213)	543,067	(51,482,515)
2010	579,035	217,842	(1,824)	216,018	795,053
	$ 108,227,147	$1,433,898	($351,020)	$1,082,878	$ 109,310,025

* Advances and recoveries not limited to cases initiated this year.

† Reflects adjustments to customer distributions in the John Muir & Co. customer protection proceeding based upon Trustee's final report.

△ Reflects adjustments to customer distributions in the MJK Clearing, Inc. customer protection proceeding based upon Trustee's revised allocation.

\# Reflects adjustment to distribution of customers assets subsequently determined not held by Donahue Securities, Inc.

@ Reflects adjustment to customer distributions in the Lehman Brothers Inc. customer protection proceeding based upon Trustee's revised allocation.

APPENDIX 2 ANALYSIS OF SIPC REVENUES AND EXPENSES
for the Five Years Ended December 31, 2010

	2010	2009	2008	2007	2006
Revenues:					
Member assessments and contributions	$ 409,200,016	$346,299,978	$ 816,322	$ 852,025	$ 894,941
Interest on U.S. Government securities	38,160,886	56,636,031	67,597,794	67,670,369	65,487,278
Interest on assessments	170,336	304,378	3,337	3,531	2,929
	447,531,238	403,240,387	68,417,453	68,525,925	66,385,148
Expenses:					
Salaries and employee benefits	8,254,272	8,259,757	6,461,396	5,818,841	5,439,474
Legal fees	346,375	56,255	88,987	51,033	257,329
Accounting fees	331,901	521,581	84,817	75,962	72,277
Credit agreement commitment fee	83,330	907,501	1,686,889	1,698,657	2,164,497
Professional fees—other	309,931	212,141	179,957	342,549	179,575
Other:					
Assessment collection cost	29,679	20,848	9,127	15,416	9,492
Depreciation and amortization	273,758	112,345	148,640	160,201	160,453
Directors' fees and expenses	42,470	70,379	101,207	71,107	67,492
Insurance	35,529	31,245	32,544	32,184	30,970
Investor education	342,766	247,317	1,907,599	369,927	324,029
Imaging expenses	771,556	348,856	104,760	115,200	57,440
Office supplies and expense	164,894	91,027	143,778	70,629	85,457
EDP and internet expenses	743,819	274,081	366,148	435,441	352,902
Postage	13,164	12,557	16,814	9,619	11,165
Printing & mailing annual report	38,443	39,625	31,493	30,965	32,793
Publications and reference services	156,760	175,277	160,067	173,713	155,887
Rent—office space	747,231	720,442	707,604	663,850	678,667
Telephone	104,201	71,229	73,258	66,890	70,127
Travel and subsistence	223,391	271,242	283,452	92,668	122,258
Personnel recruitment	46,000	10,000	10,625		
Miscellaneous	74,236	23,924	72,819	21,111	16,813
	3,807,897	2,520,394	4,169,935	2,328,921	2,175,945
	13,133,706	12,477,629	12,671,981	10,315,963	10,289,097
Customer protection proceedings:					
Net advances to (recoveries from):					
Trustees other than SIPC:					
Securities	212,738,676	547,280,342	296,456	(2,435,817)	(48,468,436)
Cash	213,380	(5,100,190)	(2,610,108)	(816,131)	(2,452,686)
	212,952,056	542,180,152	(2,313,652)	(3,251,948)	(50,921,122)
Administration expenses	177,227,833	135,564,649	9,884,474	2,098,243	(31,319,949)
	390,179,889	677,744,801	7,570,822	(1,153,705)	(82,241,071)
Net change in estimated future recoveries	1,900,000	(100,000)	(1,400,000)	6,000,000	85,300,000
	392,079,889	677,644,801	6,170,822	4,846,295	3,058,929
SIPC as Trustee:					
Securities	(1,689)	1,468,579	3,862,296	2,237,551	1,382,472
Cash	(24,211)	(580,770)	(276,003)	1,391,181	249,601
	(25,900)	887,809	3,586,293	3,628,732	1,632,073
Administration expenses	(8,586)	172,689	1,194,506	(97,104)	454,596
	(34,486)	1,060,498	4,780,799	3,531,628	2,086,669
Direct payments:					
Securities				52,561	
Cash					
				52,561	
Administration expenses			639	4,828	188,282
			639	57,389	188,282
Net change in estimated cost to complete proceedings	314,100,000	(468,700,000)	1,413,000,000	(8,700,000)	(11,000,000)
	706,145,403	210,005,299	1,423,952,260	(264,688)	(5,666,120)
	719,279,109	222,482,928	1,436,624,241	10,051,275	4,622,977
Total net (expenses) revenues	(271,747,871)	180,757,459	(1,368,206,788)	58,474,650	61,762,171
Realized and unrealized gain (loss) on U.S. Government securities	32,321,095	(102,463,159)	132,368,130	63,088,803	(18,597,798)
Effect of adoption of recognition provisions of FASB Guidance					(3,861,167)
Pension and postretirement benefit changes other than net periodic benefit costs	(280,274)	2,538,599	(5,752,428)	(1,007,696)	
(Decrease) increase in net assets	$(239,707,050)	$ 80,832,899	$(1,241,591,086)	$120,555,757	$39,303,206

APPENDIX 3 CUSTOMER PROTECTION PROCEEDINGS

PART A: Customer Claims and Distributions Being Processed[a]

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[b] To Whom Notices and Claim Forms Were Mailed	Responses[b] Received	Customers[b] Receiving Distributions
North American Clearing Inc. Longwood, FL (Robert N. Gilbert, Esq.)	11/15/95	05/27/08	07/28/08	43,383	1,699	1,125
Great Eastern Securities, Inc. New York, NY (SIPC)	03/01/72	08/26/08	09/03/08	16,102	358	7
Lehman Brothers Inc. New York, NY (James W. Giddens, Esq.)	03/27/65	09/19/08	09/19/08	905,000	124,980	110,000
Bernard L. Madoff Investment Securities LLC New York, NY (Irving H. Picard, Esq.)	01/19/60	12/11/08	12/15/08	8,110	16,518*	2,372
TOTAL 4 MEMBERS: PART A				**972,595**	**143,555**	**113,504**

* Includes duplicate claims filed for 3,385 Active Accounts.

The increase from the prior year represents an adjustment for the customer distributions made by the court appointed receiver prior to SIPC's involvement in the proceeding.

December 31, 2010

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 285,007,271	$ 283,000,000#	$ 2,007,271	$ 10,285,000	$ 8,685,000			$1,600,000
			480,314	71,188		$ 409,126	
92,798,121,067	92,300,000,000	498,121,067	8,453,416			6,700,605	1,752,811
16,891,848	7,621,990	9,269,858	1,055,326,754	300,026,454		755,300,300	
$93,100,020,186	**$92,590,621,990**	**$509,398,196**	**$1,074,545,484**	**$308,782,642**		**$762,410,031**	**$3,352,811**

APPENDIX 3 CUSTOMER PROTECTION PROCEEDINGS

PART B: Customer Claims Satisfied, Litigation Matters Pending[(a)]

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[(b)] To Whom Notices and Claim Forms Were Mailed	Responses[(b)] Received	Customers[(b)] Receiving Distributions
Continental Capital Investment Services, Inc. and Continental Capital Securities, Inc. Sylvania, OH (Thomas S. Zaremba, Esq.)	10/09/59	08/25/03	09/29/03	19,636	325	81
Financial World Corporation Overland Park, KS (SIPC)	09/13/96	01/12/06	01/18/06	1,383	112	26
Hanover Investment Securities, Inc. Madisonville, LA (SIPC)	08/30/82	02/28/08	02/28/08	826	92	43
TOTAL 3 MEMBERS: PART B				**21,845**	**529**	**150**

December 31, 2010

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$2,332,898	$1,993,273	$339,625	$ 8,723,573	$6,974,568		$ 632,650	$1,116,355
			877,798	61,639		770,140	46,019
120,696	105,610	15,086	4,150,984	54,103		3,968,184	128,697
$2,453,594	**$2,098,883**	**$354,711**	**$13,752,355**	**$7,090,310**		**$5,370,974**	**$1,291,071**

APPENDIX 3 CUSTOMER PROTECTION PROCEEDINGS

PART C: Proceedings Completed in 2010

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[b] To Whom Notices and Claim Forms Were Mailed	Responses[b] Received	Customers[b] Receiving Distributions
Adler, Coleman Clearing Corp. New York, NY (Edwin B. Mishkin, Esq.)	12/27/84	02/27/95	02/27/95	102,000	19,848	59,650
Paul L. Forchheimer & Co., Inc. New York, NY (SIPC)	08/08/52	12/12/06	12/12/06	109	14	11
TOTAL 2 MEMBERS 2010				**102,109**	**19,862**	**59,661**
TOTAL 313 MEMBERS 1973–2009[d]				**2,036,334**	**426,407**	**565,467**
TOTAL 315 MEMBERS 1973–2010				**2,138,443**	**446,269**	**625,128**

December 31, 2010

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	**For Accounts of Customers**	**Administration Expenses**	**Total Advanced**	**Administration Expenses**	**Contractual Commitments**	**Securities**	**Cash**
$ 933,430,275	$ 884,022,385	$ 49,407,890	$ 4,446,358			$ 2,223,179	$ 2,223,179
1,165,695	1,124,749	40,946	992,483	$ 25,000		967,483	
934,595,970	**885,147,134**	**49,448,836**	**5,438,841**	**25,000**		**3,190,662**	**2,223,179**
15,023,249,836	**14,749,278,962**	**273,970,875**	**495,301,677**	**190,262,237**	**$1,388,427**	**175,003,822**	**128,647,191**
$15,957,845,806	**$15,634,426,096**	**$323,419,711**	**$500,740,518**	**$190,287,237**	**$1,388,427**	**$178,194,484**	**$130,870,370**

APPENDIX 3 CUSTOMER PROTECTION PROCEEDINGS

PART D: Summary

	Customers[b] To Whom Notices and Claim Forms Were Mailed	Responses[b] Received	Customers[b] Receiving Distributions
Part A: 4 Members — Customer Claims andDistributions Being Processed	972,595	143,555	113,504
Part B: 3 Members — Customer Claims Satisfied, Litigation Matters Pending	21,845	529	150
Sub-Total	994,440	144,084	113,654
Part C: 315 Members — Proceedings Completed	2,138,443	446,269	625,128
Total	**3,132,883**	**590,353**	**738,782**

Notes:

(a) Based upon information available at year-end and subject to adjustments until the case is closed.

(b) SIPA requires notice to be mailed to each person who appears to have been a customer of the debtor with an open account within the past twelve months. In order to be sure that all potential claimants have been advised of the liquidation proceeding, trustees commonly mail notice and claim forms to all persons listed on the debtor's records, even if it appears that their accounts have been closed. As a result, many more claim forms are mailed than are received.
Responses Received usually exceeds Customers Receiving Distributions because responses are commonly received from customers whose accounts were previously delivered to another broker or to the customer. Responses are also received from persons who make no claim against the estate, or whose accounts net to a deficit, or who file late, incorrect, or invalid claims. The number of Customers Receiving Distributions can exceed Responses Received when the trustee transfers accounts in bulk to other brokers before claims are filed.

(c) Includes assets marshalled by Trustee after filing date and does not include payments to general creditors.

(d) Revised from previous reports to reflect subsequent recoveries, disbursements and adjustments.

December 31, 2010

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	**For Accounts of Customers**	**Administration Expenses**	**Total Advanced**	**Administration Expenses**	**Contractual Commitments**	**Securities**	**Cash**
$ 93,100,020,186	$ 92,590,621,990	$509,398,196	$1,074,545,484	$308,782,642		$762,410,031	$ 3,352,811
2,453,594	2,098,883	354,711	13,752,355	7,090,310		5,370,974	1,291,071
93,102,473,780	92,592,720,873	509,752,907	1,088,297,839	315,872,952		767,781,005	4,643,882
15,957,845,806	15,634,426,096	323,419,711	500,740,518	190,287,237	$1,388,427	178,194,484	130,870,370
$ 109,060,319,586	**$ 108,227,146,969**	**$ 833,172,618**	**$ 1,589,038,357**	**$506,160,189**	**$1,388,427**	**$945,975,489**	**$135,514,252**

SECURITIES INVESTOR PROTECTION CORPORATION
805 FIFTEENTH STREET, N.W., SUITE 800 • WASHINGTON, D.C. 20005-2215
(202) 371-8300 FAX (202) 371-6728
WWW.SIPC.ORG