# ANNUAL REPORT 2009

SECURITIES INVESTOR PROTECTION CORPORATION

SIPC

**SECURITIES INVESTOR PROTECTION CORPORATION**
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April 30, 2010

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 Thirty-ninth 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

Orlan M. Johnson

The year 2009 was a momentous year for SIPC. The liquidation of Lehman Brothers Inc. ("Lehman"), begun in September 2008, and the liquidation of Bernard L. Madoff Investment Securities LLC ("Madoff"), begun in mid-December of that year, dominated SIPC's agenda in a way that SIPC has never previously experienced in its 39-year history.

## Lehman Brothers Inc.

The orderly wind down of the Lehman liquidation is a massive undertaking. The Trustee completed the transfer of approximately $92 billion in customer assets for the benefit of more than 110,000 former Lehman customers. In addition, the Trustee, having provided notice of the proceeding to more than 905,000 potential customers and general creditors, received more than 12,500 customer claims on behalf of approximately 86,000 account holders. By year end, more than 95% of customer claims had been reviewed by the Trustee's staff.

On March 30, 2009, the High Court of Justice of England and Wales granted the Trustee's application for recognition of the SIPA liquidation of Lehman as a foreign main proceeding in accordance with the United Nations Model Law on Cross-Border Insolvency, and in June 2009, the Trustee became a party to the Cross-Border Insolvency Protocol for the Lehman Brothers Group of Companies. We expect that this will help to resolve the complex international issues in the case.

## Bernard L. Madoff Investment Securities LLC.

The human drama of the Madoff case is stunning. SIPC remains committed to doing the greatest good for the greatest number of Madoff victims, consistent with the law. To that end, during 2009 SIPC advanced $543,296,167 to the customers of the defunct firm to satisfy customer obligations. As this Annual Report goes to press, SIPC has advanced an additional $90,049,130 to Madoff victims during 2010. The Trustee and his counsel continue to move aggressively to recapture assets and increase the distribution of those assets to all customers eligible to share in "customer property."

## Other Developments.

Given the magnitude of the Lehman and Madoff matters, it should be noted that Calendar 2009 was only the second year in SIPC's 39-year history where SIPC was not called upon to initiate a customer protection proceeding. This is 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.

In April of 2009, SIPC reinitiated assessments based upon the net operating revenues of SIPC member brokerage firms. This was necessary to replenish the SIPC Fund as a result of the payments to satisfy customer claims, particularly in the Madoff case. I am confident that SIPC has and will continue to have sufficient assets to protect investors under the Securities Investor Protection Act.

In November 2009, SIPC signed a Memorandum of Understanding with the China Securities Investor Protection Fund. This was the culmination of extensive negotiations so that, in the event of a financial firm failure with cross border consequences for both nations, the two investor protection entities will coordinate and cooperate to maximize the protections available under the two investor protection programs. I am very committed that SIPC will continue to build similar international bridges as the world's financial markets become ever more interconnected.

## A Personal Note.

I was confirmed as SIPC's Chairman in February 2010. It is indeed a tremendous honor to lead this great organization and work with its very talented staff. I would be remiss if I did not publicly acknowledge the long-standing service of my predecessor, A. J. Bucelo, Jr. His association with SIPC began in 2002 as Vice Chairman. During two separate periods, he served as Acting Chairman. Upon the appointment of Chairman W. R. Timken Jr. as ambassador to Germany, he became SIPC's sixth Chairman in 2005. The challenges to the financial sector over the last two years have put a focus on SIPC as never before. Chairman Bucelo's service helped SIPC to meet those challenges and contributed to the efforts to stabilize the financial markets. I am also confident that SIPC will continue to do so in the future.

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 $100,000 per customer.[△]

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 32, 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. As a supplement to the SIPC Fund, a revolving line of credit was obtained from a consortium of banks. In addition, if the need arises, the SEC has the authority to lend SIPC up to $1 billion, which it, in turn, would borrow from the United States Treasury.

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△ 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 and

(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, (II) the sale of variable annuities, (III) 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.

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 FINRA Book Store, P.O. Box 9403, Gaithersburg, MD 20898-9403. The web site address for FINRA orders is www.finra.org/resources/bookstore/index.htm and the phone number is (240)386-4200.**

# DIRECTORS & OFFICERS

## Directors

**Armando J. Bucelo, Jr., Esq.**
The Law Offices of
Armando J. Bucelo, Jr.
*Chairman of the Board*

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

**William S. Jasien**
Senior Vice President
ING Financial
Advisers LLC

**Michael S. Barr**
Assistant Secretary for Financial
Institutions, 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, 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 commenced under SIPA. These 322 members represent less than one percent of the approximately 38,800 broker-dealers that have been SIPC members during the last thirty-nine years. Currently, SIPC has 4,956 members.

Of the 322 proceedings begun under SIPA to date, 313 have been completed, 4 involve pending litigation matters, and claims in 5 are being processed (See Figure 1 and Appendix 3).

During SIPC's 39-year history, cash and securities distributed for accounts of customers totaled approximately $108.5 billion. Of that amount, approximately $107.6 billion came from debtors' estates and $866.9 million came from the SIPC Fund (See Appendix 1).

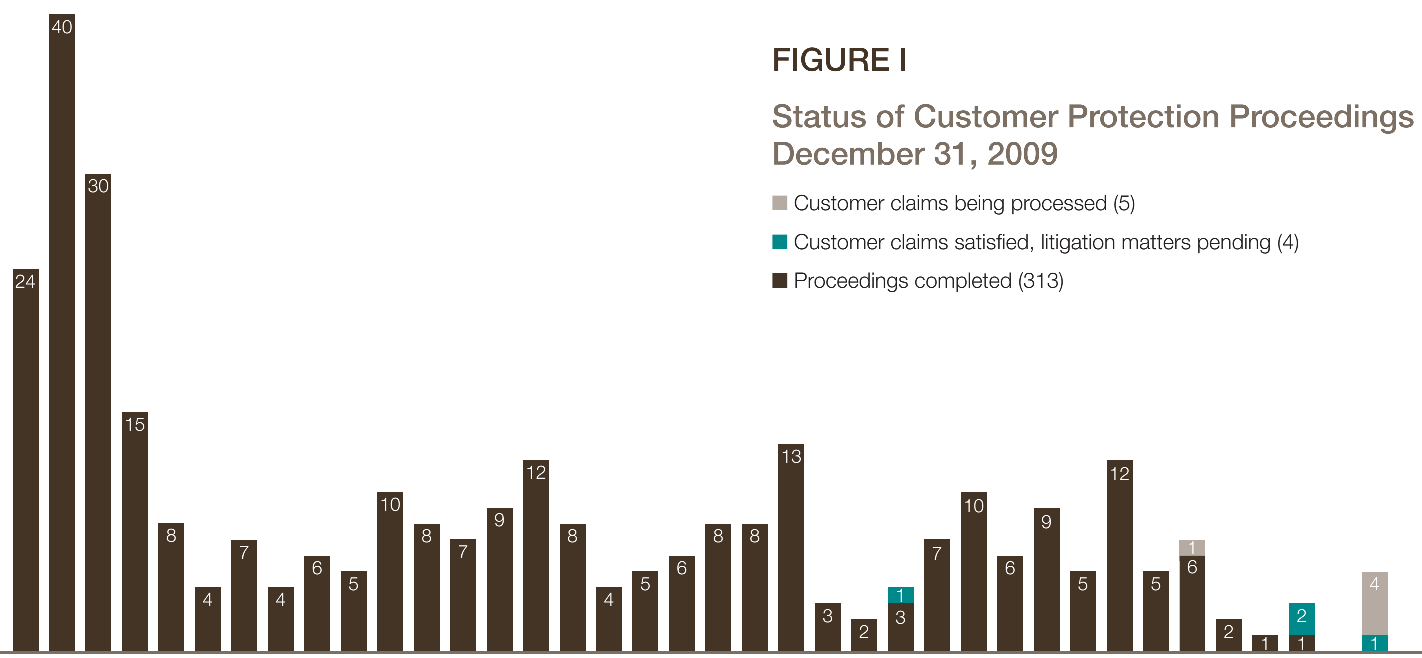


**FIGURE I**

**Status of Customer Protection Proceedings December 31, 2009**

- Customer claims being processed (5)
- Customer claims satisfied, litigation matters pending (4)
- Proceedings completed (313)

| **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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total** proceedings commenced | 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 |

## Claims over the Limits

Of the more than 625,100 claims satisfied in completed or substantially completed cases as of December 31, 2009, a total of 351 were for cash and securities whose value was greater than the limits of protection afforded by SIPA.

The 351 claims, a net increase of one during 2009, represent less than one-tenth of one percent of all claims satisfied. The unsatisfied portion of claims, $47.2 million, increased $900,000 during 2009. 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 96 percent of the total advanced in all 322 customer protection proceedings. The largest net advance in a single liquidation is $666.7 million in Bernard L. Madoff Investment Securities LLC. This exceeds the net advances in all of the other proceedings combined.

In 31 proceedings SIPC advanced $1.03 billion, or 86 percent of net advances from the SIPC Fund for all proceedings.

### TABLE I

### Net Advances from the SIPC Fund
### December 31, 2009
### 322 Customer Protection Proceedings

| Net Advances | | Number of Proceedings | Amounts Advanced |
|---|---|---|---|
| From | To | | |
| $40,000,001 | up | 1 | $ 666,738,427 |
| 10,000,001 | $40,000,000 | 12 | 236,533,784 |
| 5,000,001 | 10,000,000 | 18 | 123,902,982 |
| 1,000,001 | 5,000,000 | 59 | 129,186,906 |
| 500,001 | 1,000,000 | 38 | 28,206,311 |
| 250,001 | 500,000 | 42 | 14,581,298 |
| 100,001 | 250,000 | 60 | 9,698,793 |
| 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)* |
| | | | $1,198,892,954† |

* 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 ($866,860,365) and for administration expenses ($332,032,589).

# 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 252 members during the year brought the total membership to 4,956 at December 31, 2009. 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, 2009, there were 15 members who were subjects of uncured notices, 8 of which were mailed during 2009, four during 2008, one in 2005, and two in 2003. Subsequent filings and payments by four members left 11 notices uncured. SIPC has been advised by the SEC staff that: (a) three member registrations have been canceled; and (b) 8 are no longer engaged in the securities business and are under review by the SEC for possible revocation or cancellation of their registrations.

## 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 $1.09 billion at year end, a decrease of $607 million during 2009.

Tables 3 and 4, on pages 9 and 10, present principal revenues and expenses for the years 1971 through 2009. The 2009 member assessments were $346.3 million and interest from investments was $56.9 million. During the years 1971 through 1977, 1983 through 1985, 1989 through 1995, and 2009, member assessments were based on a percentage of each member's gross revenue (net operating revenue for 1991 through 1995 and 2009) from the securities business.

Appendix 2, on page 27, is an analysis of revenues and expenses for the five years ended December 31, 2009.

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[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, 2009

| Agents for Collection of SIPC Assessments | Total | Added[a] | Terminated[a] |
|---|---|---|---|
| FINRA[b] | 4,525 | 146 | 300 |
| SIPC[c] | 56 | — | 49[d] |
| Chicago Board Options Exchange Incorporated | 241 | 30 | 23 |
| American Stock Exchange LLC | 48 | 2 | 37 |
| NYSE Arca, Inc.[e] | 28 | 1 | 13 |
| NASDAQ OMX PHLX[f] | 32 | 4 | 12 |
| Chicago Stock Exchange, Incorporated | 26 | 3 | 4 |
| | 4,956 | 186 | 438 |

Notes:

(a) The numbers in this category do not reflect transfers of members to successor collection agents that occurred within 2009.

(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.

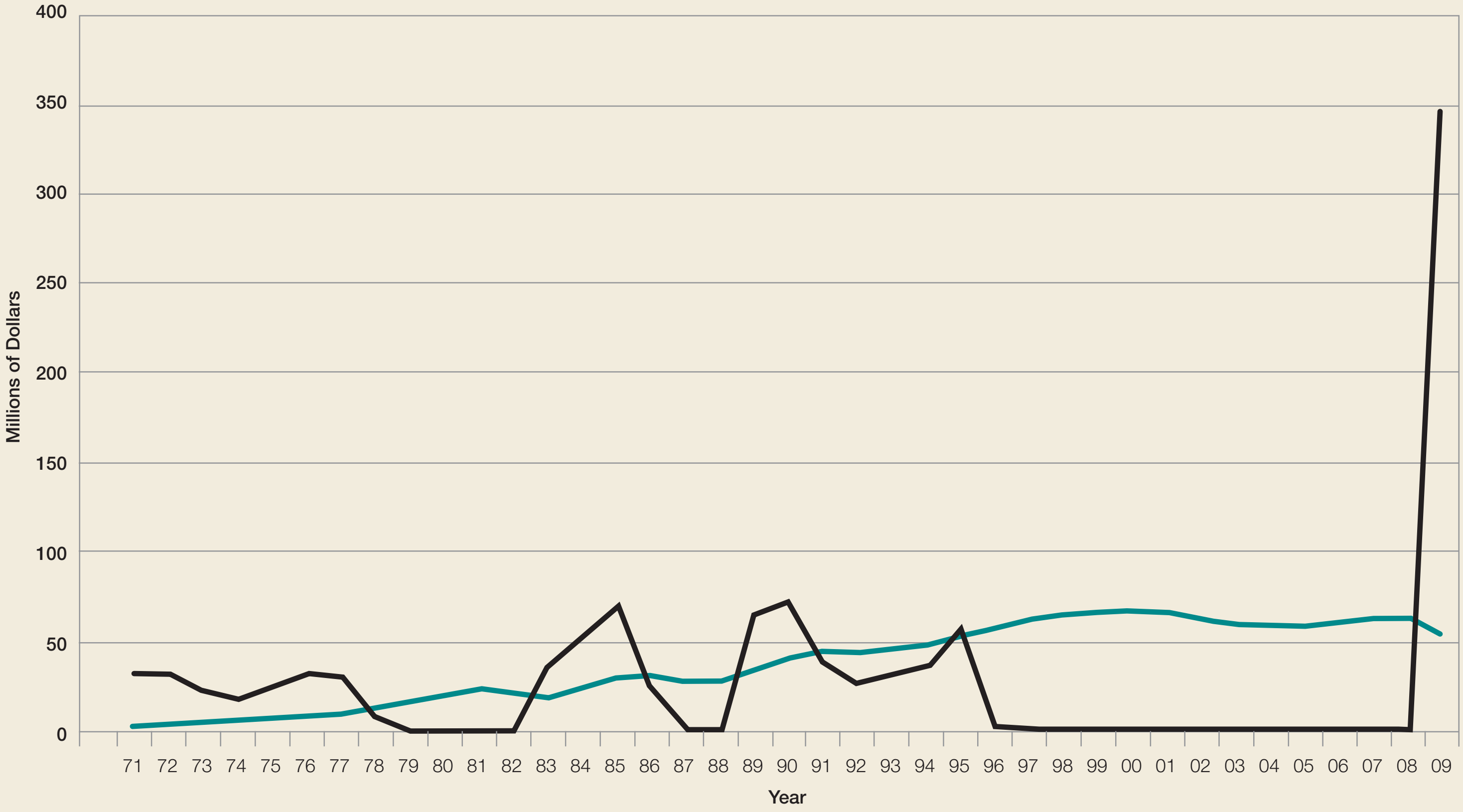
(f) Formerly the Philadelphia Stock Exchange, Inc.

## TABLE 3

### SIPC Revenues for the Thirty-nine Years Ended December 31, 2009

■ Member assessments and contributions: $1,083,207,630

■ Interest on U.S. Government securities: $1,534,502,748




**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–December 31, 2009: .25% of members' net operating revenues ($150 minimum).

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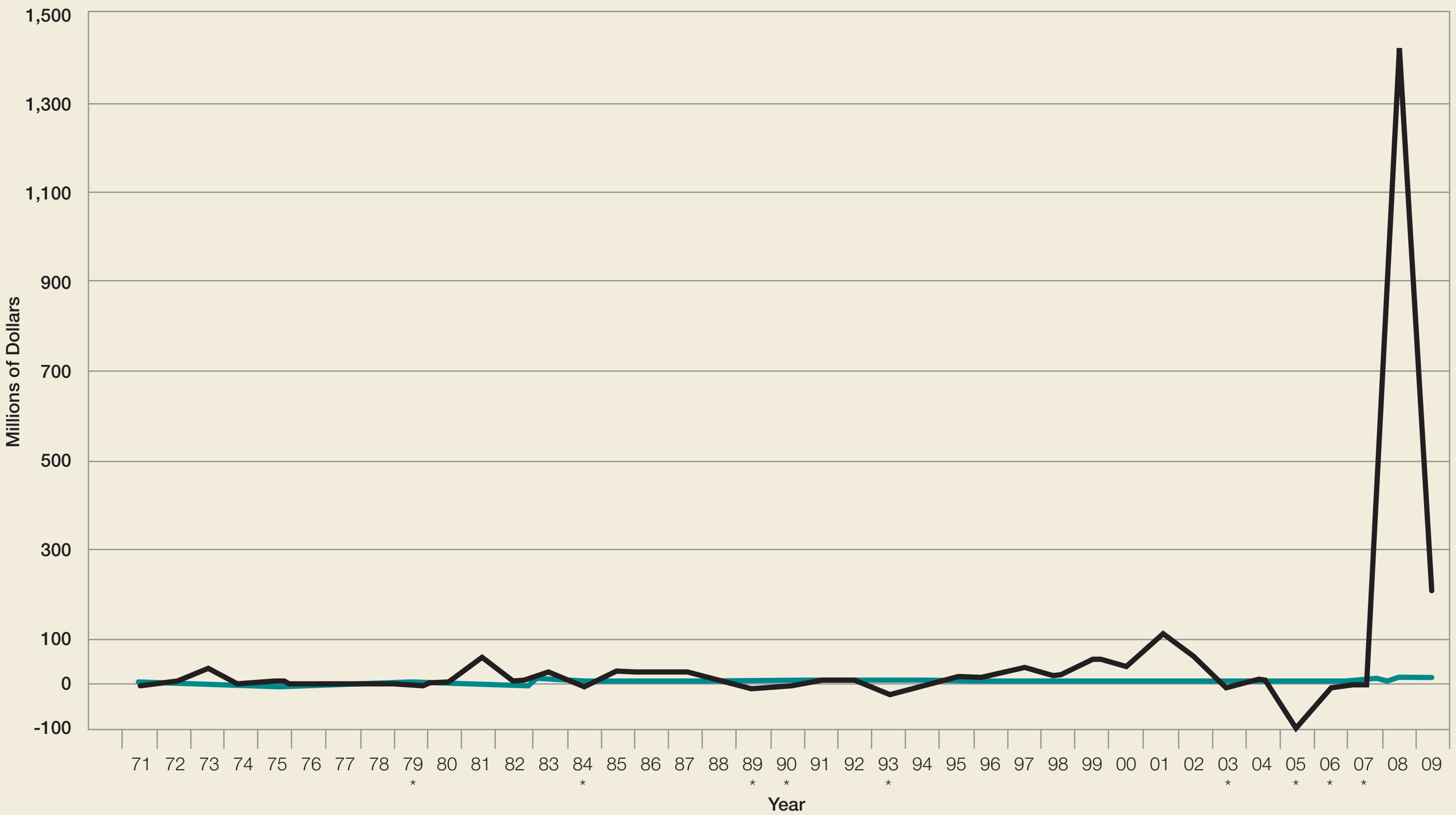
* Rates based on each member's gross revenues (net operating revenues for 1991–1995 and April 1, 2009 to present) from the securities business.

## TABLE 4

### SIPC Expenses for the Thirty-nine Years Ended December 31, 2009

■ Customer protection proceedings: $2,153,892,954 (Includes net advances of $1,198,892,954 and $956,900,000 of estimated costs to complete proceedings less estimated future recoveries of $1,900,000.)

■ Other expenses: $206,715,747




* Net recoveries

# LITIGATION

During 2009, 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,* 51 BCD 71 (Bankr. S.D.N.Y. 2009), denied a motion by investors to modify the standard claims procedures order entered in the initial stages of the liquidation proceeding. The movants had received payments from the debtor prior to its liquidation and, thus, were possible defendants in future avoidance actions by the trustee. Having recovered the full amount of their investments with the debtor, the investors did not want to be barred from filing a claim after the claims deadline if the trustee sued them in avoidance and prevailed. Relying on Bankruptcy Code § 502(h), which allows such post-petition claims to be considered as pre-petition claims, the movants sought an explicit exception from the SIPA claims filing Bar Date. In denying the request, the Court held that the SIPA six-month filing limit applies to all claims, can be extended by the Court in only enumerated instances none of which were present, and gives the Court no discretion to extend the date. The Court also declined to rule on the underlying issue of whether § 502(h) applies to a SIPA proceeding concluding that the matter was not ripe because the trustee had not asserted any avoidance actions against the investors.

Investors sued the trustee in *Peskin v. Picard (In re Bernard L. Madoff Investment Securities)*, 413 B.R. 137 (Bankr. S.D.N.Y. 2009), seeking damages for the trustee's alleged breach of fiduciary duty and a declaratory judgment 1) that the investors' net equity should be determined based on the account balances in their last fictitious account statements; and 2) that the trustee should be barred from seeking preferences. In granting the trustee's motion to dismiss, the Bankruptcy Court determined that the plaintiffs in effect were seeking accelerated resolution of the net equity issue in violation of the standard claims procedure order. The Court also held that the investors' causes of action as to preferences and fiduciary duty were not justifiable because the trustee had not filed any preference actions against the investors, and because the net equity issue was pending resolution.

The Bankruptcy Court granted the trustee's motion to dismiss another suit brought by a customer involved in the Madoff Ponzi Scheme, in *Rosenman Family, LLC v. Picard (In re Bernard L. Madoff Investment Securities)*, 401 B.R. 629 (Bankr. S.D.N.Y. 2009). The plaintiff sought to recover its initial investment with the debtor—$10 million wired to an account of the debtor ten days before the filing date. Alleging that the debtor was merely to have "held" the deposit, and that an unauthorized transaction had taken place, the plaintiff argued that the debtor did not have title to the funds; the deposit was not customer property; and it should be returned to the plaintiff. The Court found that the funds were deposited for the sole purpose of eventually being invested for the plaintiff in securities. Thus, the plaintiff was a customer and the transmitted funds were customer property to be distributed in accordance with SIPA.

On appeal, in *Rosenman Family, LLC v. Picard (In re Bernard L. Madoff Investment Securities)*, 420 B.R. 108 (S.D.N.Y. 2009), the District Court affirmed the dismissal. The Court rejected the plaintiff's argument that only a specific authorization of particular trades triggered customer status. That the plaintiff might eventually have gotten its money back did not change the fact that on the filing date, its funds had been entrusted to the debtor in anticipation of being invested, thereby making the plaintiff a customer.

In an appeal in *Lopez v. Zaremba (In re Continental Capital Investment Services, Inc. and Continental Capital Securities, Inc.)*, Case No. 3:08CV01132 (N.D. Ohio 2009), the District Court affirmed the Bankruptcy Court's grant of summary judgment upholding the trustee's denial of a "customer" claim. Although funds from the claimant's pension plan account were invested directly through the debtors' parent company, the claimant was unable to show that either of the SIPC member debtors actually held his cash or securities. The Court therefore agreed that the claimant did not entrust his cash or securities to either of the debtors, and was not a customer under SIPA.

The Bankruptcy Court in *In re Continental Capital Investment Services, Inc., and Continental Capital Securities, Inc.)*, Adv. Pro No. 03-3370 (Bankr. N.D. Ohio 2009), granted in part the trustee's and SIPC's motion for summary judgment seeking to uphold the trustee's denial of two claims filed by an alleged customer. At issue were 15 purported transactions including loans and purchases of promissory notes, all of which the claimant asserted were unauthorized. The Court granted summary judgment with respect to 11 of the transactions, finding that the claimant had presented insufficient evidence that eight of the transactions either occurred or were related to an account at the debtors. The Court held that three transactions were ratified because the customer failed timely to object to the trading. The Court found genuine issues of material fact as to whether the customer had ratified the other four transactions.

In *Zaremba v. Pheasant (In re Continental Capital Investment Services, Inc. and Continental Capital Securities, Inc.)*, Adv. Pro. No. 05-3322 (Bankr. N.D. Ohio 2009), the trustee obtained a judgment against the debtors' parent corporation for the recovery of funds transferred by the debtors to the parent during a twenty-month period preceding the commencement of the liquidation proceeding. As a creditor of the parent, the trustee thereafter sued the defendant who was a former officer of the parent and a registered representative of one of the debtors, alleging that the parent had transferred money or property to the defendant and that such transfers were voidable under state law. The trustee also alleged that the defendant was the immediate transferee of the parent with respect to transfers from the Debtors to the parent, and sought to recover those transfers under 11 U.S.C. § 550(a)(2). The defendant moved for summary judgment. The Court held that because the judgment obtained by the trustee against the parent company did not void the initial transfer to the parent company, there was no basis for recovery under Bankruptcy Code § 550(a), and granted summary judgment on that count. However, the Court denied the defendant summary judgment as to three fraudulent conveyance claims, finding that the trustee had cognizable state law claims that transfers to the defendant were voidable.

In a dispute involving a law firm's billing and other records, the District Court in *Shumaker, Loop & Kendrick, LLP v. Zaremba (In re Continental Capital Investment Services, Inc. and Continental Capital Securities, Inc.)*, 403 B.R. 480 (N.D. Ohio 2009), vacated the Bankruptcy Court's order and remanded the case for further proceedings. The defendant-appellant was outside legal counsel for the debtors, their parent company, and several non-debtor related entities. The trustee obtained from the former president of the parent company of the debtors, waivers of attorney-client privilege, for ten separate entities. Despite the waivers, the defendant refused to produce documents to the trustee citing attorney-client privilege. The Bankruptcy Court found that eight of the waivers were valid because the defendant had failed to present sufficient evidence showing otherwise. On appeal, the District Court applied a different legal standard, holding that if the elements of privilege have been satisfied, the proponent of the waiver—the trustee—must present sufficient evidence establishing that the privilege has been waived. If that burden is met, the proponent of the privilege must then disprove the claim of waiver by a preponderance of the evidence. The Court remanded the matter for further discovery and for the parties to offer proof to meet their respective burdens.

In a matter with direct bearing on the transfer of customer accounts in the liquidation of Lehman Brokers Inc. ("LBI"), in the case of *Bay Harbour Management, L.C. v. Lehman Brothers Holdings Inc. (In re Lehman Brothers Holdings, Inc.)*, 415 B.R. 77 (S.D.N.Y. 2009), the District Court affirmed the Bankruptcy Court's order approving the expedited sale of LBI's investment banking and capital markets operations and supporting infrastructure to Barclays Capital, Inc. ("Barclays"), free and clear of liens, for approximately $1.7 billion. Allegedly concerned about pre-petition transfers between LBI and its parent company, the Appellants, investment funds that maintained prime brokerage accounts with LBI and Lehman Brothers International (Europe), challenged the sale order as a violation of due process, and further challenged Barclays's status as a good faith purchaser. In affirming, the District Court held that the Bankruptcy Court based its factual determination of Barclays's good faith on sufficient evidence. The Court also held that because the sale order had not been stayed, consideration of the Appellants' challenge of the sale would be limited to whether the lower court had committed reversible error in finding that Barclays was a good faith purchaser. The Court found that the Bankruptcy Court had not committed reversible error and held Appellants' arguments beyond the issue of good faith to be statutorily moot under Bankruptcy Code § 363(m).

# 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 305 indictments have been returned in federal or state courts, resulting in 270 convictions to date.

Administrative and/or criminal actions in 284 of the 322 SIPC customer protection proceedings initiated through December 31, 2009, 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 | 53 |
| Criminal and Administrative Actions | 103 |
| Criminal Actions Only | 27 |
| Total | 284 |

In the 257 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 2009 SIPC received no new referrals and the two (2) received in prior years which did not result in proceedings were not carried over to 2009.

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.

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## 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, 2009, 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, 2009, and the changes in 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 21, 2010

## Statement of Financial Position as of December 31, 2009

| | |
|---|---|
| **ASSETS** | |
| Cash | $ 5,622,768 |
| U.S. Government securities, at fair value and accrued interest receivable of $11,332,090; (amortized cost $1,042,815,091) (Note 6) | 1,086,209,043 |
| Estimated member assessments receivable (Note 3) | 210,616,800 |
| Advances to trustees for customer protection proceedings in progress, less allowance for possible losses ($701,365,258) (Note 4) | 1,900,000 |
| Prepaid benefit cost (Note 8) | 1,488,356 |
| Other (Note 5 and Note 8) | 1,652,707 |
| | $1,307,489,674 |
| **LIABILITIES AND NET ASSETS** | |
| Accrued benefit costs (Note 8) | $ 4,397,305 |
| Accounts payable and other accrued expenses | 851,978 |
| Deferred rent | 394,891 |
| Estimated costs to complete customer protection proceedings in progress (Note 4) | 956,900,000 |
| Member assessments received in advance (Note 3) | 700,000 |
| | 963,244,174 |
| Net assets | 344,245,500 |
| | $1,307,489,674 |

The accompanying notes are an integral part of these statements.

## Statement of Activities for the year ended December 31, 2009

| | |
|---|---|
| Revenues: | |
| Member assessments (Note 3) | $346,299,978 |
| Interest on U.S. Government securities | 56,940,409 |
| | 403,240,387 |
| Expenses: | |
| Salaries and employee benefits (Note 8) | 8,259,757 |
| Legal and accounting fees (Note 4) | 577,836 |
| Credit agreement commitment fee (Note 5) | 907,501 |
| Rent (Note 5) | 720,442 |
| Other | 2,012,093 |
| | 12,477,629 |
| Provision for estimated costs to complete customer protection proceedings in progress, net (Note 4) | 210,005,299 |
| | 222,482,928 |
| Total net revenues | 180,757,459 |
| Realized and unrealized loss on U.S. Government securities (Note 6) | (102,463,159) |
| Pension and postretirement benefit changes other than net periodic pension costs | 2,538,599 |
| Increase in net assets | 80,832,899 |
| Net assets, beginning of year | 263,412,601 |
| Net assets, end of year | $344,245,500 |

## Statement of Cash Flows for the year ended December 31, 2009

| | |
|---|---|
| Operating activities: | |
| Interest received from U.S. Government securities | $105,443,361 |
| Member assessments received | 136,383,178 |
| Advances paid to trustees | (681,577,532) |
| Recoveries of advances | 2,097,235 |
| Salaries and other operating activities expenses paid | (17,687,585) |
| Net cash used in operating activities | (455,341,343) |
| Investing activities: | |
| Proceeds from sales of U.S. Government securities | 665,095,565 |
| Purchases of U.S. Government securities | (203,754,418) |
| Purchases of furniture and equipment | (900,694) |
| Net cash provided by investing activities | 460,440,453 |
| Increase in cash | 5,099,110 |
| Cash, beginning of year | 523,658 |
| Cash, end of year | $ 5,622,768 |

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.

In June 2009 the Financial Accounting Standards Board (FASB) issued new guidance to establish the FASB Accounting Standards Codification (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP. The Codification is effective for interim and annual periods ending after September 15, 2009. The adoption of this standard has not had a material impact on SIPC's financial statements.

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

The "SIPC Fund," as defined by SIPA, consists of cash and U.S. Government securities aggregating $1,091,831,811.

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 $1 billion. In addition, SIPC maintained a $500 million revolving line of credit with a consortium of banks, which expired effective March 1, 2010.

## 3. Member assessments

Through March 31, 2009 each member's assessment was $150. Effective April 1, 2009, each member's assessment is at the rate of ¼ of 1% of net operating revenues from the securities business or $150, whichever is greater. Assessments received in advance will be applied to future assessments and are not refundable except to terminated members. Estimated member assessments receivable represents assessments due by members for calendar 2009 but not received until 2010.

### 4. Customer protection proceedings

The trustee commenced a SIPA liquidation of Lehman Brothers Inc. (LBI) on September 19, 2008. As of the bar date of June 1, 2009, through the account transfer and claims process, the estate had received 124,687 customer claims and had determined 122,525 of those claims as of March 31, 2010. 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 $5 million to cover investor losses.

Of the approximately $65 billion customer claims submitted, approximately $26 billion have been resolved through letters of determination that have become final. $30 billion represent claims of affiliates, including LBHI and LBIE, and $9 billion represent non-affiliate claims that have not been satisfied or finally resolved. The SIPA trustee is in negotiations with each of these groups to verify their claims to the records of LBI, and to determine whether certain of these claims are, in fact, claims of "customers" in accordance with the definition under SIPA.

At present, the foregoing and certain other contingencies (including a $6 billion litigation with Barclays Capital, Inc.) 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 $1.6 billion ($1.4 billion recognized in 2008 and $200 million recognized in 2009). 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.

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 $703.3 million for proceedings in progress to carry out its statutory obligation to satisfy customer claims and to pay administration expenses. Of this amount, $701.4 million 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, 2009 that result from these proceedings:

| | Customer Protection Proceedings | |
|---|---|---|
| | Advances to trustees, less allowance for possible losses | Estimated costs to complete |
| Balance, beginning of year | $1,800,000 | $1,425,600,000 |
| Add: | | |
| Provision for current year recoveries | 300,000 | — |
| Provision for estimated future recoveries | 1,900,000 | — |
| Provision for estimated costs to complete proceedings | — | 212,200,000 |
| Less: | | |
| Recoveries | 2,100,000 | — |
| Advances to trustees | — | 680,900,000 |
| Balance, end of year | $1,900,000 | $ 956,900,000 |

## 5. Commitments

Future minimum rentals for office space in Washington, D.C., under a ten-year lease expiring August 31, 2015, are as follows: 2010 - $553,447; 2011- $567,259; 2012 - $581,485; 2013 - $595,988; 2014 - $610,905; 2015 - $417,490; for a total of $3,326,574, as of December 31, 2009. Additional rental based on increases in operating expenses and real estate taxes and the Consumer Price Index 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.

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: 2010 - $109,502; 2011 - $112,787; 2012 - $116,171; 2013 - $68,937; for a total of $407,397 as of December 31, 2009. Additional rental is based on increases in operating expenses including real estate taxes as required by the lease.

In March 2006 SIPC entered into a $500 million 3-year revolving credit facility with commitment fees of .10% per year. Additionally upfront fees averaging .14% were paid to certain banks. This facility expired in March 2009.

In March of 2007 an additional $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, 2009. 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, 2009, included gross unrealized gains of $47,147,835 and gross unrealized losses of $3,753,883.

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

| | |
|---|---|
| Increase in net assets | $ 80,832,899 |
| Net decrease in estimated cost to complete customer protection proceedings | (468,700,000) |
| Estimated assessment receivable | (210,616,800) |
| Realized and unrealized loss on U.S. Government securities | 102,463,159 |
| Net amortized discount on U.S. Government securities | 40,887,382 |
| Decrease in accrued interest receivable on U.S. Government securities | 7,615,570 |
| Decrease in payables and accrued expenses | (7,141,265) |
| Increase in prepaid expenses | (1,379,088) |
| Increase in member assessments received in advance | 700,000 |
| Depreciation and amortization | 112,345 |
| Net increase in estimated recoveries of advances to trustees | (100,000) |
| Decrease in deferred rent | (15,985) |
| Loss on disposal of assets | 440 |
| Net cash used in operating activities | $(455,341,343) |

## 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 $294,486 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 | $23,102,385 | $ 3,910,318 |
| Service cost | 710,752 | 136,936 |
| Interest cost | 1,364,099 | 231,800 |
| Plan participants' contributions | — | 15,791 |
| Amendments | — | — |
| Actuarial loss (gain) | 1,903,407 | (92,535) |
| Benefits paid | (663,324) | (99,491) |
| Benefit obligation at end of year | $26,417,319 | $ 4,102,819 |
| **Change in Plan Assets** | | |
| Fair value of plan assets at beginning of year | $16,136,774 | $ — |
| Actual return on plan assets | 4,912,225 | — |
| Employer contributions prior to measurement date | 7,520,000 | — |
| Employer contributions | — | 83,700 |
| Plan participants' contributions | — | 15,791 |
| Benefits paid | (663,324) | (99,491) |
| Fair value of plan assets at end of year | $27,905,675 | $ — |
| Funded status | $ 1,488,356 | $(4,102,819) |
| Employer contributions between measurement and statement date | — | — |
| Funded status at year end | $ 1,488,356 | $(4,102,819) |
| **Amounts Recognized in the Statement of Financial Position and Net Assets consist of:** | | |
| Noncurrent assets | $ 1,488,356 | $ — |
| Current liabilities | — | (117,984) |
| Noncurrent liabilities | — | (3,984,835) |
| Net amount recognized in the Statement of Financial Position | $ 1,488,356 | $(4,102,819) |

| | Pension Benefits | Other Postretirement Benefits |
|---|---|---|
| **Other Amounts Recognized within the Statement of Activities consist of:** | | |
| Net actuarial gain | $ (2,628,284) | $ (241,903) |
| Prior service (credit) cost | (58,098) | 389,686 |
| Pension and postretirement benefit changes other than net periodic benefit costs | $ (2,686,382) | $ 147,783 |
| Accumulated Benefit Obligation end of year | $24,206,407 | $ 4,102,819 |
| **Weighted-average Assumptions for Disclosure as of December 31, 2009** | | |
| Discount rate | 6.00% | 6.10% |
| 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 |
| **Components of Net Periodic Benefit Cost and Other Amounts Recognized within the Statement of Activities** | | |
| **Net periodic benefit cost** | | |
| Service cost | $ 710,752 | $ 136,936 |
| Interest cost | 1,364,099 | 231,800 |
| Expected return on plan assets | (1,414,604) | — |
| Recognized prior service cost (credit) | 58,098 | (389,686) |
| Recognized actuarial loss | 1,034,069 | 149,368 |
| Net periodic benefit cost | 1,752,414 | 128,418 |
| **Other Changes in Plan Assets and Benefit Obligations Recognized within the Statement of Activities** | | |
| Net actuarial gain | (1,594,215) | (92,535) |
| Recognized actuarial loss | (1,034,069) | (149,368) |
| Prior service cost | — | — |
| Recognized prior service (cost) credit | (58,098) | 389,686 |
| Total recognized within the Statement of Activities | (2,686,382) | 147,783 |
| Total recognized in net benefit cost and within the Statement of Activities | $ (933,968) | $ 276,201 |
| **Amounts Expected to be Recognized in Net Periodic Cost in the Coming Year** | | |
| Loss recognition | $ 661,256 | $ 117,263 |
| Prior service cost (credit) recognition | 58,098 | (389,686) |
| Total | $ 719,354 | $ (272,423) |
| **Effect of a 1% Increase in Trend on:** | | |
| Benefit Obligation | N/A | $ 590,269 |
| Total Service Interest Cost | N/A | $ 64,791 |
| **Effect of a 1% Decrease in Trend on:** | | |
| Benefit Obligation | N/A | $ (485,613) |
| Total Service Interest Cost | N/A | $ (52,335) |

| | Pension Benefits | Other Postretirement Benefits |
|---|---|---|
| **Weighted-average Assumptions for Net Periodic Cost as of December 31, 2009** | | |
| Discount rate | 6.00% | 6.00% |
| Expected asset return | 8.00% | N/A |
| Salary scale | 4.00% | N/A |
| Health Care Cost Trend: Initial | N/A | 9.00% |
| 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 2009, the unrecognized net loss decreased by 12.7% of the 12/31/2008 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 2009 by ($251,000)/$269,000 and (decreased)/increased the year-end projected benefit obligation by ($2.9)/$3.5 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 | $14,445,106 |
| Non-U.S. large and multi-cap mutual funds | 3,625,788 |
| Total Equity | 18,070,894 |
| **Fixed Income securities:** | |
| U.S. Treasuries/Government & corporate bond mutual funds | 9,834,781 |
| Total Fixed Income | 9,834,781 |
| Total | $27,905,675 |

### 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 2009 by $158,000.

### 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 12/31/2009 |
|---|---|---|---|
| Equity securities | 10.25% | 60–70% | 65% |
| Debt securities | 4.50% | 40–30% | 35% |
| Total | 8.00–8.50% | 100% | 100% |

**Estimated Future Benefit Payments**

Estimated future benefit payments, including future benefit accrual

| | Pension | Other Benefits |
|---|---|---|
| 2010 | $ 1,038,393 | $ 121,500 |
| 2011 | $ 1,181,107 | $ 145,700 |
| 2012 | $ 1,497,770 | $ 183,600 |
| 2013 | $ 1,590,820 | $ 195,300 |
| 2014 | $ 1,699,577 | $ 226,600 |
| 2015–2019 | $ 9,948,480 | $ 1,289,200 |

**Contributions**

The company expects to make no further contributions to the pension plan in 2010 and $95,400 to the postretirement benefit plan during 2010.

**Defined Contribution Plan**

| | |
|---|---|
| SIPC contributions (60% of employee contributions, up to 3.6% of compensation) | $ 156,690 |

### 9. Subsequent events

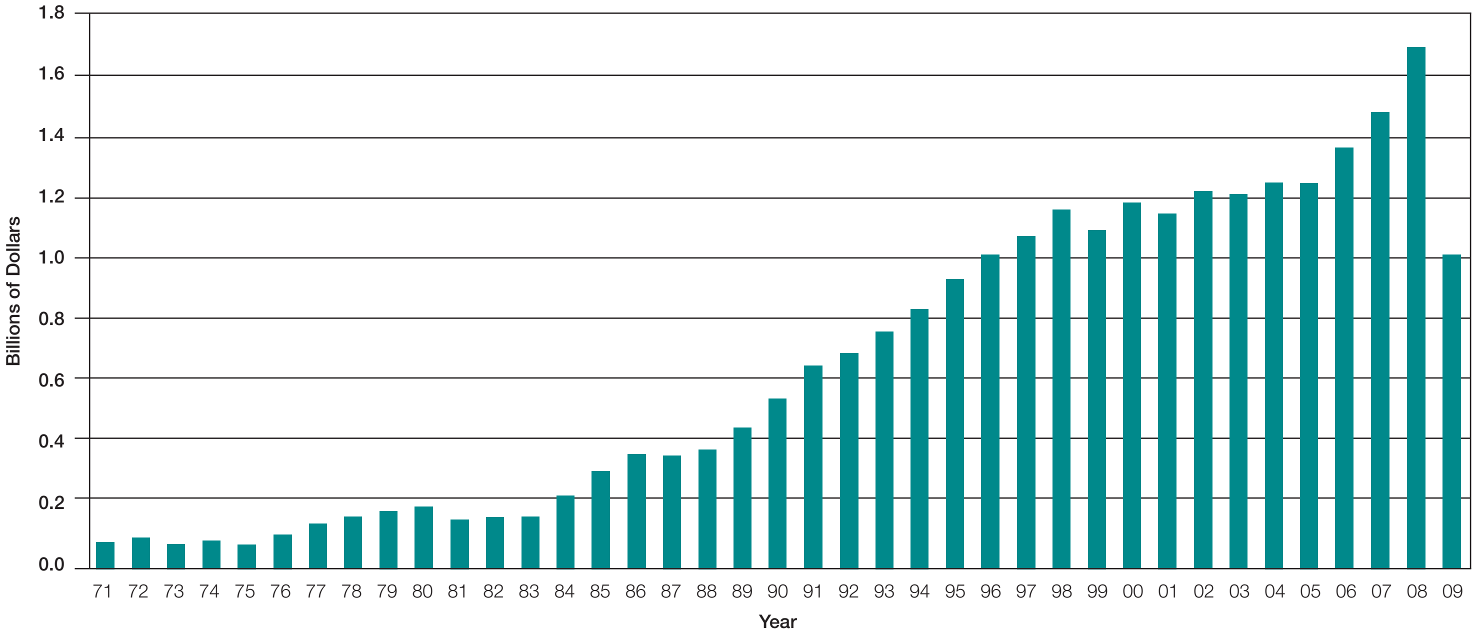
In 2010, SIPC's President and Chief Executive Officer and several past and present members of the Board of Directors were sued in the United States District Court for the District of New Jersey as a result of legal positions taken in the liquidation proceeding of Bernard L. Madoff Investment Securities LLC (BLMIS) in New York, by SIPC and the Trustee for BLMIS. SIPC and the defendants in the New Jersey suit believe the suit has no merit. An answer or other responsive pleading has yet to be filed. At this time, SIPC cannot determine the impact, if any, of the final outcome of the suit on the Corporation.

SIPC evaluated its December 31, 2009 financial statements for subsequent events through April 21, 2010, 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.

# SIPC FUND COMPARISON

## TABLE 5

### SIPC Fund Comparison
### Inception to December 31, 2009



# APPENDIX 1 DISTRIBUTIONS FOR ACCOUNTS OF CUSTOMERS
## for the Thirty-nine Years Ended December 31, 2009 (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)[Δ] | 22,729 | (4,425) | 18,304 | (624,938) |
| 2004 | 209,025 | (11,662)[Δ] | (37,700) | (49,362) | 159,663 |
| 2005 | (24,245)[o] | 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) |
| | $107,648,112 | $1,216,056 | ($349,196) | $866,860 | $108,514,972 |

* 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.

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

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

• Reflects a repricing in the Lehman Brothers Inc. customer protection proceeding by Barclays Capital, Inc. (acquiring firm) of certain customers securities that were initially valued at par because there were no readily available market prices for those securities.

# APPENDIX 2 ANALYSIS OF SIPC REVENUES AND EXPENSES

## for the Five Years Ended December 31, 2009

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Member assessments and contributions | $346,299,978 | $ 816,322 | $ 852,025 | $ 894,941 | $ 927,597 |
| Interest on U.S. Government securities | 56,636,031 | 67,597,794 | 67,670,369 | 65,487,278 | 62,754,357 |
| Interest on assessments | 304,378 | 3,337 | 3,531 | 2,929 | 3,947 |
| | 403,240,387 | 68,417,453 | 68,525,925 | 66,385,148 | 63,685,901 |
| Expenses: | | | | | |
| Salaries and employee benefits | 8,259,757 | 6,461,396 | 5,818,841 | 5,439,474 | 5,244,719 |
| Legal fees | 56,255 | 88,987 | 51,033 | 257,329 | 347,240 |
| Accounting fees | 521,581 | 84,817 | 75,962 | 72,277 | 48,333 |
| Credit agreement commitment fee | 907,501 | 1,686,889 | 1,698,657 | 2,164,497 | 2,218,971 |
| Professional fees—other | 212,141 | 179,957 | 342,549 | 179,575 | 164,602 |
| Other: | | | | | |
| Assessment collection cost | 20,848 | 9,127 | 15,416 | 9,492 | 7,984 |
| Depreciation and amortization | 112,345 | 148,640 | 160,201 | 160,453 | 150,247 |
| Directors' fees and expenses | 70,379 | 101,207 | 71,107 | 67,492 | 31,124 |
| Insurance | 31,245 | 32,544 | 32,184 | 30,970 | 30,621 |
| Investor education | 247,317 | 1,907,599 | 369,927 | 324,029 | 343,022 |
| Imaging expenses | 348,856 | 104,760 | 115,200 | 57,440 | 74,442 |
| Office supplies and expense | 91,027 | 143,778 | 70,629 | 85,457 | 132,282 |
| EDP and internet expenses | 274,081 | 366,148 | 435,441 | 352,902 | 338,582 |
| Postage | 12,557 | 16,814 | 9,619 | 11,165 | 11,040 |
| Printing & mailing annual report | 39,625 | 31,493 | 30,965 | 32,793 | 32,692 |
| Publications and reference services | 175,277 | 160,067 | 173,713 | 155,887 | 145,311 |
| Rent—office space | 720,442 | 707,604 | 663,850 | 678,667 | 631,764 |
| Telephone | 71,229 | 73,258 | 66,890 | 70,127 | 68,933 |
| Travel and subsistence | 271,242 | 283,452 | 92,668 | 122,258 | 156,671 |
| Personnel recruitment | 10,000 | 10,625 | | | 10,104 |
| Miscellaneous | 23,924 | 72,819 | 21,111 | 16,813 | 15,463 |
| | 2,520,394 | 4,169,935 | 2,328,921 | 2,175,945 | 2,180,282 |
| | 12,477,629 | 12,671,981 | 10,315,963 | 10,289,097 | 10,204,147 |
| Customer protection proceedings: | | | | | |
| Net advances to (recoveries from): | | | | | |
| Trustees other than SIPC: | | | | | |
| Securities | 547,280,342 | 296,456 | (2,435,817) | (48,468,436) | (2,192,756) |
| Cash | (5,100,190) | (2,610,108) | (816,131) | (2,452,686) | (1,147,479) |
| | 542,180,152 | (2,313,652) | (3,251,948) | (50,921,122) | (3,340,235) |
| Administration expenses | 135,564,649 | 9,884,474 | 2,098,243 | (31,319,949) | 17,565,057 |
| | 677,744,801 | 7,570,822 | (1,153,705) | (82,241,071) | 14,224,822 |
| Net change in estimated future recoveries | (100,000) | (1,400,000) | 6,000,000 | 85,300,000 | (91,000,000) |
| | 677,644,801 | 6,170,822 | 4,846,295 | 3,058,929 | (76,775,178) |
| SIPC as Trustee: | | | | | |
| Securities | 1,468,579 | 3,862,296 | 2,237,551 | 1,382,472 | 184,354 |
| Cash | (580,770) | (276,003) | 1,391,181 | 249,601 | (9,714) |
| | 887,809 | 3,586,293 | 3,628,732 | 1,632,073 | 174,640 |
| Administration expenses | 172,689 | 1,194,506 | (97,104) | 454,596 | 810,987 |
| | 1,060,498 | 4,780,799 | 3,531,628 | 2,086,669 | 985,627 |
| Direct payments: | | | | | |
| Securities | | | 52,561 | | (585) |
| Cash | | | | | |
| | | | 52,561 | | (585) |
| Administration expenses | | 639 | 4,828 | 188,282 | |
| | | 639 | 57,389 | 188,282 | (585) |
| Net change in estimated cost to complete proceedings | (468,700,000) | 1,413,000,000 | (8,700,000) | (11,000,000) | (19,900,000) |
| | 210,005,299 | 1,423,952,260 | (264,688) | (5,666,120) | (95,690,136) |
| | 222,482,928 | 1,436,624,241 | 10,051,275 | 4,622,977 | (85,485,989) |
| Total net revenues (expenses) | 180,757,459 | (1,368,206,788) | 58,474,650 | 61,762,171 | 149,171,890 |
| Realized and unrealized (loss) gain on U.S. Government securities | (102,463,159) | 132,368,130 | 63,088,803 | (18,597,798) | (39,972,573) |
| Effect of adoption of recognition provisions of FASB Guidance | | | | (3,861,167) | |
| Pension and postretirement benefit changes other than net periodic benefit costs | 2,538,599 | (5,752,428) | (1,007,696) | | |
| Increase (decrease) in net assets | $ 80,832,899 | $(1,241,591,086) | $120,555,757 | $39,303,206 | $109,199,317 |

# 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 |
|---|---|---|---|---|---|---|
| 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 |
| North American Clearing Inc. Longwood, FL (Robert N. Gilbert, Esq.) | 11/15/95 | 05/27/08 | 07/28/08 | 43,383 | 1,655 | 1,073 |
| Great Eastern Securities, Inc. New York, NY (SIPC) | 03/01/72 | 08/26/08 | 09/03/08 | 16,102 | 357 | 7 |
| Lehman Brothers Inc. New York, NY (James W. Giddens, Esq.) | 03/27/65 | 09/19/08 | 09/19/08 | 905,000 | 124,664 | 135,000 |
| Bernard L. Madoff Investment Securities LLC New York, NY (Irving H. Picard, Esq.) | 01/19/60 | 12/11/08 | 12/15/08 | 8,110 | 16,312* | 1,672 |
| **TOTAL 5 MEMBERS: PART A** | | | | **992,231** | **143,313** | **137,833** |

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

† The reduction from the prior year represents a repricing by Barclays Capital, Inc. (acquiring firm) of certain customers securities that were initially valued at par because there were no readily available market prices for those securities.

| Distribution of Assets Held by Debtor(c) | | | SIPC Advances | | | | |
|---|---|---|---|---|---|---|---|
| Total | For Accounts of Customers | Administration Expenses | Total Advanced | Administration Expenses | Contractual Commitments | Securities | Cash |
| $ 2,065,477 | $ 1,783,273 | $ 282,204 | $ 8,087,996 | $ 6,338,991 | | $ 632,650 | $1,116,355 |
| 12,687,337 | 12,356,341 | 330,996 | 10,010,000 | 8,410,000 | | | 1,600,000 |
| | | | 480,314 | 71,188 | | 409,126 | |
| 92,230,912,821 | 92,000,000,000† | 230,912,821 | 5,303,528 | | | 4,860,449 | 443,079 |
| 388,000 | 388,000 | | 666,738,428 | 123,442,260 | | 543,296,168 | |
| **$92,246,053,635** | **$92,014,527,614** | **$231,526,021** | **$690,620,266** | **$138,262,439** | | **$549,198,393** | **$3,159,434** |

## 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 |
|---|---|---|---|---|---|---|
| Adler, Coleman Clearing Corp.<br>New York, NY<br>(Edwin B. Mishkin, Esq.) | 12/27/84 | 02/27/95 | 02/27/95 | 102,000 | 19,848 | 59,650 |
| Paul L. Forchheimer & Co., Inc.<br>New York, NY<br>(SIPC) | 08/08/52 | 12/12/06 | 12/12/06 | 109 | 14 | 11 |
| Financial World Corporation<br>Overland Park, KS<br>(SIPC) | 09/13/96 | 01/12/06 | 01/18/06 | 1,383 | 112 | 25 |
| Hanover Investment Securities, Inc.<br>Madisonville, LA<br>(SIPC) | 08/30/82 | 02/28/08 | 02/28/08 | 826 | 92 | 36 |
| **TOTAL 4 MEMBERS: PART B** | | | | **104,318** | **20,066** | **59,722** |

December 31, 2009

| Distribution of Assets Held by Debtor[c] | | | SIPC Advances | | | | |
|---|---|---|---|---|---|---|---|
| Total | For Accounts of Customers | Administration Expenses | Total Advanced | Administration Expenses | Contractual Commitments | Securities | Cash |
| $923,987,361 | $881,843,545 | $42,143,816 | $ 6,625,198 | | | $3,312,599 | $3,312,599 |
| | | | 992,512 | $ 25,000 | | 967,512 | |
| | | | 876,298 | 60,139 | | 770,140 | 46,019 |
| 70,047 | | 70,047 | 4,150,984 | 54,103 | | 3,968,184 | 128,697 |
| **$924,057,408** | **$881,843,545** | **$42,213,863** | **$12,644,992** | **$139,242** | | **$9,018,435** | **$3,487,315** |

# APPENDIX 3 CUSTOMER PROTECTION PROCEEDINGS

## PART C: Proceedings Completed in 2009

| 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 | Total Customer Claims Satisfied |
|---|---|---|---|---|---|---|
| Sunpoint Securities, Inc.<br>Longview, TX<br>(Robert G. Richardson, Esq.) | 11/09/89 | 11/19/99 | 11/19/99 | 22,234 | 4,535 | 9,738 |
| Donahue Securities, Inc. and<br>S.G. Donahue Company, Inc.<br>Cincinnati, OH<br>(Douglas L. Lutz, Esq.) | 05/08/89 | 02/26/01 | 03/06/01 | 26,395 | 7,117 | 3,371 |
| Clearing Services of America, Inc.<br>St. Louis, MO<br>(Thomas K. Vandiver, Esq.) | 12/01/88 | 09/08/03 | 09/08/03 | 18,281 | 392 | 12 |
| Penn Financial Group, Inc.<br>Jenkintown, PA<br>(SIPC) | 11/15/99 | 11/05/03 | 11/12/03 | 356 | 81 | 38 |
| NEBS Financial Services, Inc.<br>Cleveland, OH<br>(Donald H. Messinger, Esq.) | 04/26/00 | 11/30/04 | 12/03/04 | 103,690 | 3,063 | 1,382 |
| **TOTAL 5 MEMBERS 2009** | | | | **170,956** | **15,188** | **14,541** |
| **TOTAL 308 MEMBERS 1973-2008[d]** | | | | **1,865,378** | **411,219** | **550,926** |
| **TOTAL 313 MEMBERS 1973-2009** | | | | **2,036,334** | **426,407** | **565,467** |

## December 31, 2009

| Distribution of Assets Held by Debtor[c] | | | SIPC Advances | | | | |
|---|---|---|---|---|---|---|---|
| Total | For Accounts of Customers | Administration Expenses | Total Advanced | Administration Expenses | Contractual Commitments | Securities | Cash |
| $ 408,440,580 | $ 402,282,211 | $ 6,158,369 | $ 37,154,286 | $ 19,143,493 | | $ 5,884,131 | $ 12,126,662 |
| 7,380,989 | 5,521,712 | 1,859,277 | 8,408,630 | 8,129,322 | | | 279,308 |
| 820,540 | 591,394 | 229,146 | 3,233,140 | 1,679,207 | | 1,553,933 | |
| 250,000 | 250,000 | | 2,642,505 | 238,895 | | 2,403,610 | |
| 1,121,918 | 611,523 | 510,395 | 6,696,249 | 6,354,890 | | 341,359 | |
| **418,014,027** | **409,256,840** | **8,757,187** | **58,134,810** | **35,545,807** | | **10,183,033** | **12,405,970** |
| **14,604,325,488** | **14,342,484,065** | **261,841,423** | **437,492,886** | **158,085,101** | **$1,388,427** | **161,750,527** | **116,268,831** |
| **$15,022,339,515** | **$14,751,740,905** | **$270,598,610** | **$495,627,696** | **$193,630,908** | **$1,388,427** | **$171,933,560** | **$128,674,801** |

# 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: 5 Members — Customer Claims and Distributions Being Processed | 992,231 | 143,313 | 137,833 |
| Part B: 4 Members — Customer Claims Satisfied, Litigation Matters Pending | 104,318 | 20,066 | 59,722 |
| Sub-Total | 1,096,549 | 163,379 | 197,555 |
| Part C: 313 Members — Proceedings Completed | 2,036,334 | 426,407 | 565,467 |
| **Total** | **3,132,883** | **589,786** | **763,022** |

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, 2009

| Distribution of Assets Held by Debtor[c] | | | SIPC Advances | | | | |
|---|---|---|---|---|---|---|---|
| Total | For Accounts of Customers | Administration Expenses | Total Advanced | Administration Expenses | Contractual Commitments | Securities | Cash |
| $ 92,246,053,635 | $ 92,014,527,614 | $231,526,021 | $ 690,620,266 | $138,262,439 | | $549,198,393 | $ 3,159,434 |
| 924,057,408 | 881,843,545 | 42,213,863 | 12,644,992 | 139,242 | | 9,018,435 | 3,487,315 |
| 93,170,111,043 | 92,896,371,159 | 273,739,884 | 703,265,258 | 138,401,681 | | 558,216,828 | 6,646,749 |
| 15,022,339,515 | 14,751,740,905 | 270,598,610 | 495,627,696 | 193,630,908 | $1,388,427 | 171,933,560 | 128,674,801 |
| **$108,192,450,558** | **$107,648,112,064** | **$544,338,494** | **$1,198,892,954** | **$332,032,589** | **$1,388,427** | **$730,150,388** | **$135,321,550** |

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