SIPC
SECURITIES INVESTOR PROTECTION CORPORATION

2016 ANNUAL REPORT

SECURITIES INVESTOR PROTECTION CORPORATION

SIPC

Securities Investor Protection Corporation
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April 28, 2017

The Honorable Michael S. Piwowar
Acting Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Acting Chairman Piwowar:

On behalf of the Board of Directors I submit herewith the Forty-sixth 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,

Stephen P. Harbeck
President & CEO

CONTENTS

The Year in Review

In 2016 SIPC initiated one new customer protection proceeding, the first new case since 2013. Much progress also was made on SIPC's existing brokerage firm liquidation proceedings.

GLOBAL ARENA CAPITAL CORP.

On January 28, SIPC initiated a customer protection proceeding for **Global Arena Capital Corp.** in the federal District Court in Manhattan. In a rare event, the brokerage opposed SIPC, claiming that no customers were owed any cash or securities. Working with FINRA and the Securities and Exchange Commission, SIPC brought victims from as far away as Alaska, and presented 11 individual witnesses in a contested trial on February 3. On February 16, the District Court placed the firm in liquidation and designated SIPC as Trustee.

The Global Arena case is an excellent example of how SIPC and securities regulators work together, under the oversight of the courts, to limit the harm to investors and obtain relief for investors as quickly as possible.

ONGOING CASES

SIPC initiated the liquidation of **MF Global Inc.** on October 31, 2011. Based on the amount of assets, this was the eighth largest insolvency, of any kind, in history. Early in 2016, Trustee James Giddens completed the liquidation with remarkable results. All securities customers were paid in full without the need for SIPC advances. All commodities customers were paid in full. The firm's General Creditors received 95 cents on the dollar.

Lehman Brothers Inc., the largest insolvency of any kind, is also moving rapidly to a conclusion. While a number of judicial proceedings remain on appeal, all securities customers have received the contents of their accounts without the needs for SIPC advances, secured creditors and priority creditor claims have been paid in full, and a distribution of $8.8 billion has been made to general creditors.

The liquidation of **Bernard L. Madoff Investment Securities LLC** involves the largest Ponzi Scheme in history. While complex litigation to recover more assets for the victims continues, the results to date have exceeded expectations. The Trustee has distributed $9.47 billion, with 1,303 accounts fully satisfied. Any customer that gave Madoff, net, up to $1,253,000 has been made whole. Customers with larger claims have received 60% of the net amount given to Madoff, plus $500,000 from SIPC. The process of asset recovery continues and the Board expects additional distributions in 2017.

LOOKING FORWARD

SIPC continues to look for ways to return customer assets more quickly and efficiently. Among other initiatives in 2017, we hope to implement technology that will allow customers to file their claims electronically.

For securities brokerage firms, their customers, and SIPC, cybersecurity remains a priority. SIPC is an active member of the Financial and Banking Information Infrastructure Committee (FBIIC), which aims to coordinate and plan the prevention of cyberattacks and respond to successful attacks as promptly as possible. The Committee, hosted by the Department of the Treasury, identifies critical infrastructure assets and establishes secure communications capabilities among financial regulators for communicating during an emergency. In 2016, working with the principals of U.S. financial regulatory agencies such as the Department of the Treasury, the Federal Reserve Board, the Securities and Exchange Commission, and the Commodity Futures Trading Commission, SIPC participated in the review of several initiatives, including a Presidential Policy Directive on U.S. Cyber Incident Coordination Policy and the G7 Fundamental Elements of Cybersecurity for the Financial Sector. This effort is ongoing.

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 39, 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, (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; and

(iii) persons who are registered as a broker or dealer pursuant to [15 U.S.C. § 78*o*(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," available on SIPC's website at www.sipc.org/news-and-media/brochures and also available in bulk from the Securities Industry and Financial Markets Association (SIFMA), www.sifma.org/store, phone number (212) 313-1000, 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/Industry/order 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. If 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

Anthony D'Agostino
Maven Medical
CEO and Founder

Matthew J. Eichner
Board of Governors of the Federal Reserve System
Deputy Director, Division of Reserve Bank Operations and Payment Systems

William S. Jasien
Stonehedge Global Partners
President & CEO

Gregory S. Karawan
Genworth Financial
Senior Vice President & General Counsel, Insurance & Wealth Management; and Global Chief Litigation Counsel

Mark Kaufman
United States Department of the Treasury
Counselor to the Deputy Secretary

COMMITTEE COMPOSITION

Audit and Budget Committee

Matthew J. Eichner—Chair
William S. Jasien

Compensation Committee

Gregory S. Karawan—Chair
Mark Kaufman

Investment Committee

Anthony D'Agostino—Chair
Matthew J. Eichner

OFFICERS

Stephen P. Harbeck
President & CEO

Josephine Wang
General Counsel & Secretary

Joseph S. Furr, Jr.
Vice President—Finance

Karen L. Saperstein
Vice President—Operations

CORPORATE GOVERNANCE PRACTICES

COMMITTEES

The Board of Directors oversees the management of SIPC's business and affairs, as well as its corporate governance, a continuing priority for SIPC. The Board's statutory composition is intended to provide confidence that SIPC is effectively overseen and well governed. To further this goal, the Board has delegated certain duties to three standing committees—the Audit and Budget Committee, the Investment Committee, and the Compensation Committee. SIPC's Bylaws provide that each Committee is comprised of a public director, an industry director, and a government director.

Committee	Purpose	Authority/Responsibilities
Audit & Budget Committee	• Provides oversight of the integrity of financial statements and financial reporting and the overall effectiveness of internal control environment • Oversees compliance with applicable legal and regulatory requirements and the independence, qualifications, and performance of the external auditor • Ensures adequate management controls to minimize the financial risks to which the SIPC Fund is exposed	• Selects the independent external auditor to examine accounts, controls, and financial statements • Monitors independence and performance of external auditors • Reviews financial statements and financial disclosures • Reviews the proposed budget relative to annual goals and objectives, and recommends final budget to Board • Reviews systems of internal control • Reviews federal tax return
Investment Committee	• Assists the Board in formulating investment policies • Oversees management of the SIPC Fund and compliance with the Securities Investor Protection Act provisions relating to SIPC Fund investments • Ensures adequate controls to minimize the investment risks to which the SIPC Fund is exposed	• Establishes, reviews, and updates the investment policy for approval by the Board • Oversees the adoption of appropriate risk management policies and procedures to manage, to the extent possible, market, liquidity, credit, and other investment and asset management risks • Ensures that investments are made only in United States Government or agency securities as statutorily required • Reviews overall investment performance, asset allocation, and expenses • Reports on investment performance and changes in investments to the Board
Compensation Committee	• Provides oversight of total compensation strategy and assists the Board in determining the appropriate compensation for officers and compensation levels for staff • Ensures that human resources opportunities and risks are properly identified and managed	• Oversees the development and administration of SIPC's Human Resource programs and policies including talent management, staffing, performance management, benefits, and succession planning • Establishes, reviews and updates compensation strategy and structure for approval by the Board • Annually reviews proposals regarding compensation • Recommends compensation for officers and staff for approval by the Board • Recommends strategies and plans for merit pay/incentives/severance pay and other unusual compensation arrangements that may arise

ETHICS AND WHISTLEBLOWER POLICY

Annually, SIPC's public and industry directors must confirm receiving the SIPC Director Code of Ethics, having reviewed it, and being familiar with its contents. They must disclose any actual or potential conflicts of interest, avoid activities that could reasonably lead to a conflict of interest, not use their position for personal gain or for the gain of a spouse, dependent, or partner and maintain in strict confidence all information that would reasonably be expected to be maintained in confidence.

SIPC has a Whistleblower Policy that encourages and enables employees to raise serious concerns about violations of SIPC's Code of Conduct, which is a part of the SIPC Bylaws and included in the SIPC Personnel Guide. As outlined by the Policy, employees may report complaints and allegations concerning violations of the SIPC Code of Conduct and general principles of law and business ethics to their supervisors or SIPC's Compliance Officer. All SIPC staff must acknowledge annually that they have read and understand the SIPC Personnel Guide including the Business Ethics Policy, the Ethics Rules, and the Whistleblower Policy.

DIRECTOR HONORARIA AND MEETING ATTENDANCE

The Chairman receives a yearly honorarium of $15,000. The Vice Chairman and the three industry directors each receive annual honoraria of $6,250. The Chairman, Vice Chairman, and three industry directors are reimbursed for their official business expenses. The two government directors receive no honoraria and are not reimbursed for their official business expenses.

The Board held nine meetings in 2016. The Audit and Budget Committee met four times; the Compensation Committee thrice; and the Investment Committee did not meet. The Director attendance at Board and committee meetings for the year ended December 31, 2016 was as follows:

Director	Board Meetings	Committee Meetings
Anthony D'Agostino	8/9	0/0
Matthew J. Eichner	8/9	4/4
William S. Jasien	8/9	2/4
Gregory S. Karawan	6/9	3/3
Mark Kaufman	9/9	3/3

CUSTOMER PROTECTION PROCEEDINGS

In 2016, one new customer protection proceeding was initiated. Over the last ten-year period, the annual average of new cases was 1.2. Since the inception of SIPC, 329 proceedings were commenced under SIPA. These 329 members represent less than one percent of the approximately 39,800 broker-dealers that have been SIPC members during the last forty-six years. Currently, SIPC has 3,828 members.

SIPC was appointed as trustee in the one case commenced during the year. (See Message from the Board of Directors on page 3). The customer protection proceeding was initiated for:

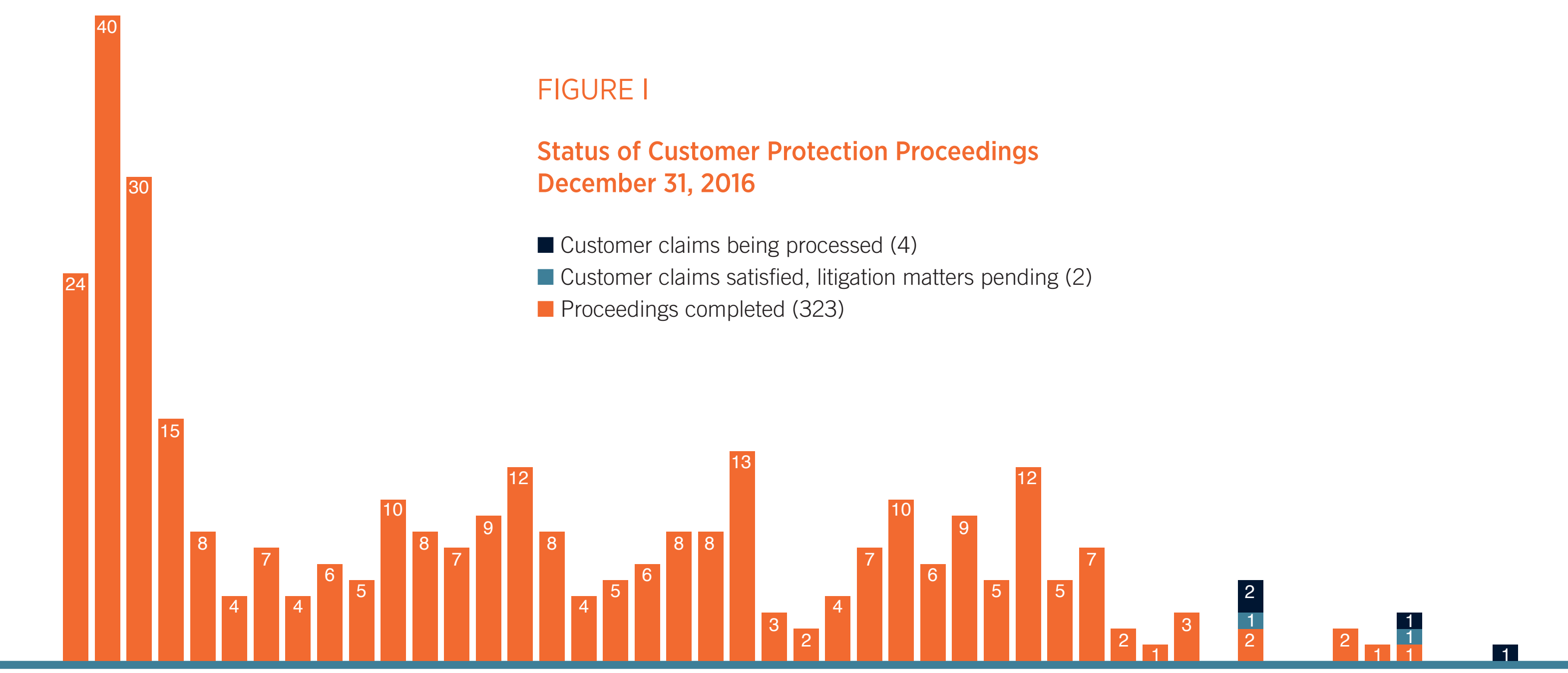
Member	Date Trustee Appointed
Global Arena Capital Corp. New York, NY (SIPC as Trustee)	02/16/16

During SIPC's forty-six year history, cash and securities distributed for accounts of customers totaled approximately $137.6 billion. Of that amount, approximately $136.6 billion came from debtors' estates and $1.0 billion came from the SIPC Fund (See Appendix 1).

FIGURE I

Status of Customer Protection Proceedings December 31, 2016

- Customer claims being processed (4)
- Customer claims satisfied, litigation matters pending (2)
- Proceedings completed (323)



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	11	12	13	14	15	16
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	2	1	3	0	0	1

Proceedings commenced

“An Act to provide greater protection for customers of registered brokers and dealers and members of national securities exchanges.”

Preamble to SIPA

Claims over the Limits

Of the approximately 767,300 claims satisfied in completed or substantially completed cases as of December 31, 2016, a total of 356 were for cash and securities whose value was greater than the limits of protection afforded by SIPA.

The 356 claims, a net increase of five during 2016, represent less than one percent of all claims satisfied. The unsatisfied portion of claims, $50.0 million, increased by $2.8 million in 2016. These remaining claims represent less than 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 92 debtors, for which net advances of more than $1 million have been made from the SIPC Fund, accounted for 98 percent of the total advanced in all 329 customer protection proceedings. The largest net advance in a single liquidation is $2.10 billion in Bernard L. Madoff Investment Securities LLC. This exceeds the net advances in all of the other proceedings combined.

In the 30 largest proceedings, measured by net funds advanced, SIPC advanced $2.45 billion, or 93 percent of net advances from the SIPC Fund for all proceedings.

TABLE I

Net Advances from the SIPC Fund
December 31, 2016
329 Customer Protection Proceedings

Net Advances		Number of Proceedings	Amounts Advanced
From	To		
$40,000,001	up	1	$2,097,074,494
10,000,001	$40,000,000	11	230,766,756
5,000,001	10,000,000	18	126,117,718
1,000,001	5,000,000	62	136,108,438
500,001	1,000,000	38	28,034,547
250,001	500,000	43	14,883,547
100,001	250,000	61	9,735,205
50,001	100,000	42	2,995,426
25,001	50,000	24	879,591
10,001	25,000	11	168,668
0	10,000	11	26,087
Net Recovery		7	(13,991,621)*
			$2,632,798,856†

* 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 ($989,007,729) and for administration expenses ($1,643,791,127).

MEMBERSHIP AND THE SIPC FUND

The net decrease of 122 members during the year brought the total membership to 3,828 at December 31, 2016. 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, 2016, there were 41 members who were subjects of uncured notices, 14 of which were mailed during 2016, 17 during 2015, five during 2013, three in 2012, and two in 2010. Subsequent filings and payments by four members left 37 notices uncured. SIPC has been advised by the SEC staff that: (a) eight are no longer engaged in the securities business and are under review by the Commission for possible revocation (b) six registrations have been cancelled, and (c) 23 have been referred to Commission Regional Offices for possible cancellation.

SIPC Fund

The SIPC Fund, shown at Table 5, on page 29, consisting of the aggregate of cash and investments in United States Government securities at fair value, amounted to $2.72 billion at year end, an increase of $306 million during 2016.

Tables 3 and 4, on pages 11 and 12, present principal revenues and expenses for the years 1971 through 2016. The 2016 member assessments were $431.7 million and interest from investments was $55.0 million. During the years 1971 through 1977, 1983 through 1985, 1989 through 1995, and 2009 through 2016, member assessments were based on a percentage of each member's gross revenue (net operating revenue for 1991 through 1995 and 2009 through 2016) from the securities business.

Appendix 2, on page 31, is an analysis of revenues and expenses for the five years ended December 31, 2016.

[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, 2016

Agents for Collection of SIPC Assessments	Total	Added[a]	Terminated[a]
FINRA[b]	3,705	117	186
SIPC[c]	19	—	52[d]
Chicago Board Options Exchange Incorporated	46	2	2
NYSE MKT LLC[g]	10	—	1
NYSE Arca, Inc.[e]	13	1	—
NASDAQ OMX PHLX[f]	20	—	1
Chicago Stock Exchange, Incorporated	15	1	1
	3,828	121	243

Notes:

(a) The numbers in this category do not reflect transfers of members to successor collection agents that occurred within 2016.

(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.

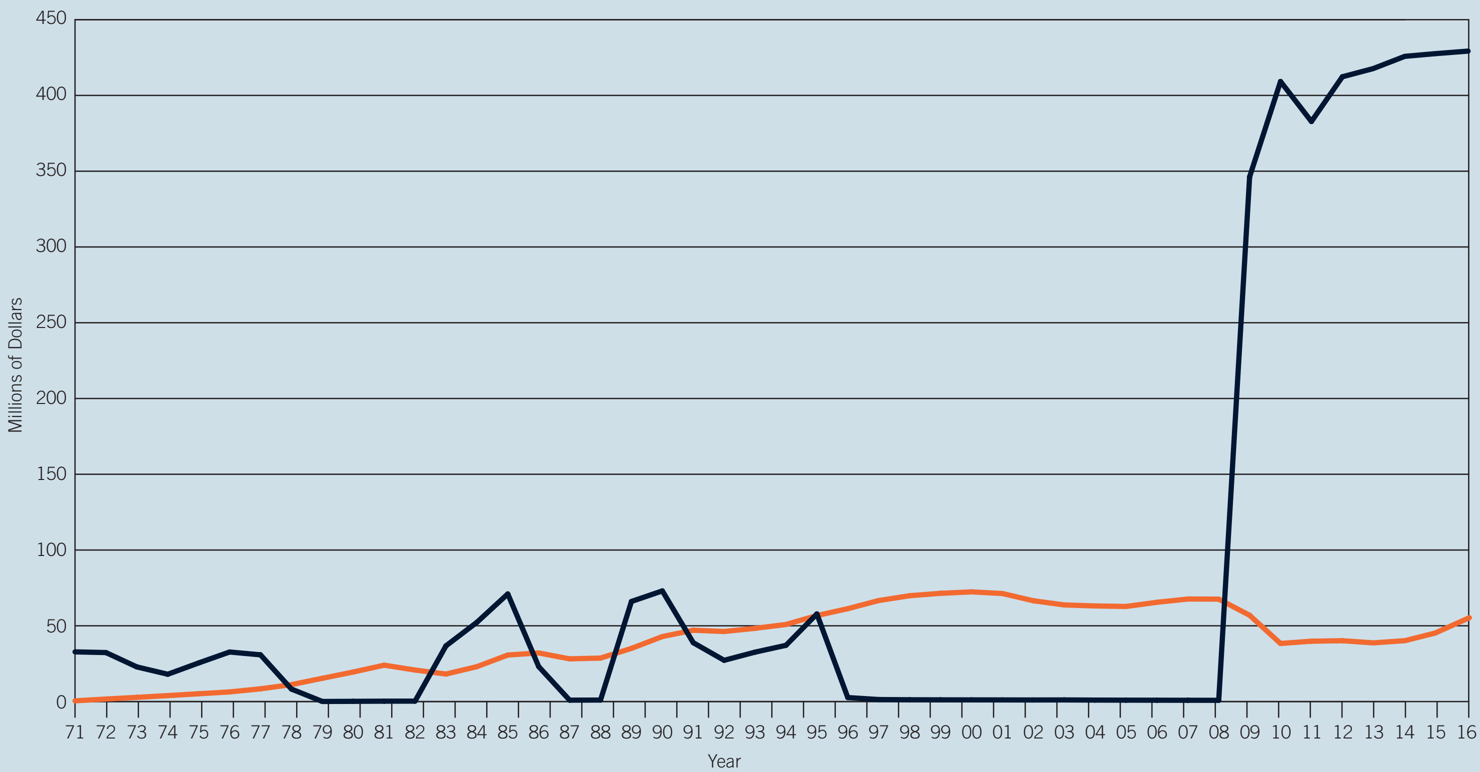
(f) Formerly the Philadelphia Stock Exchange, Inc.

(g) Formerly the American Stock Exchange LLC (NYSE Amex LLC)

TABLE 3

SIPC Revenues for the Forty-Six Years Ended December 31, 2016

■ Member assessments and contributions: $3,993,103,361
■ Interest on U.S. Government securities: $1,834,484,047



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, 2016: .25% of members' net operating revenues ($150 minimum through June 2010).

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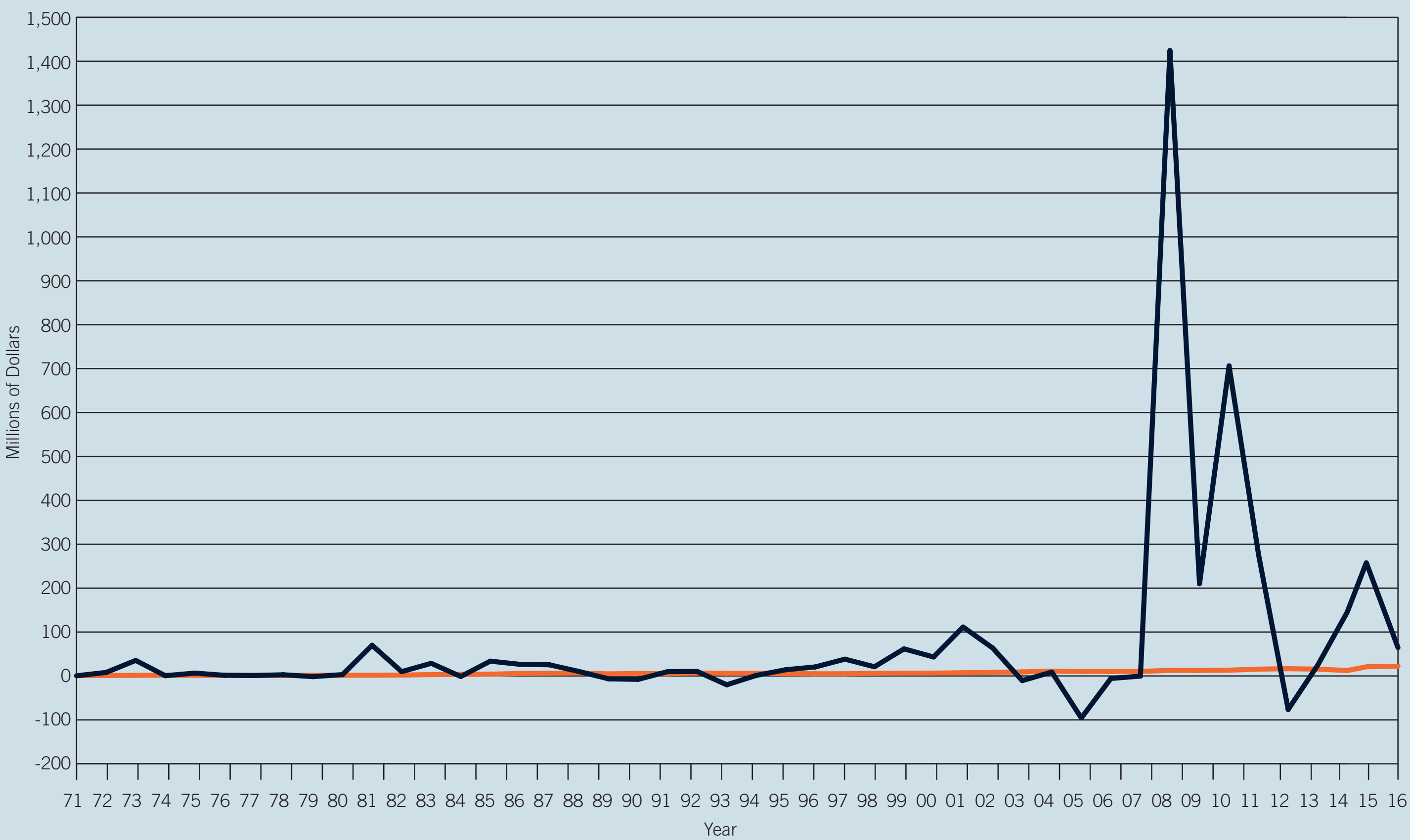
* Rates based on each member's gross revenues (net operating revenues for 1991–1995 and April 1, 2009 to present) from the securities business.

TABLE 4

SIPC Expenses for the Forty-Six Years Ended December 31, 2016

■ Customer protection proceedings: $3,566,198,856 (Consists of net advances of $2,632,798,856 and $944,500,000 of estimated costs to complete proceedings less estimated future recoveries of $11,100,000.)

■ Other expenses: $311,300,370



In 2016, SIPC and trustees under the Securities Investor Protection Act ("SIPA") were actively involved in litigation at the trial and appellate levels. The more noteworthy matters are summarized below:

After an evidentiary hearing, the Bankruptcy Court in *In re MF Global Inc.,* 2016 WL 270180 (Bankr. S.D.N.Y. Jan. 15, 2016), sustained the Trustee's objection to, and disallowed and expunged, a general creditor claim. The general creditor, a commodity futures account-holder, filed a claim for approximately $23 million of unrealized losses that were booked as realized losses when its futures account was transferred to MF Global Inc. ("MFGI"). In rejecting the claimant's argument that MFGI engaged in unauthorized trades, the Court reached the following conclusions: (1) in transferring the claimant's positions, MFGI did not trade any of the positions in the account; (2) MFGI did not fail to follow the claimant's instructions in choosing the method in which the trades were booked in claimant's account; (3) the claimant ratified the transfer including the method used in recording the transfer on MFGI books and records; and (4) even if MFGI failed to follow the claimant's instructions, the claimant suffered no resulting harm.

The Bankruptcy Court in *SIPC v. TWS Financial, LLC,* 13-01152 (Bankr. E.D.N.Y. Jan. 20, 2016), upheld the Trustee's determination denying certain "customer" claims. For two claims, the Court found that the claimants ratified withdrawals from their accounts. For the other two claims, the Court found that even if transfers from customer accounts to the debtor's parent company were made without authorization, the claimants had no net equity because they had received transfers from the debtor's parent company that exceeded their withdrawals. Thus, the claimants had no positive net equity on the filing date.

After a trial in which SIPC presented a number of witnesses and exhibits, the District Court in *SIPC v. Global Arena Capital Corp.,* 164 F. Supp. 3d 531 (S.D.N.Y. 2016), granted SIPC's application for a protective decree against Global Arena Capital Corporation. The Court held that the defendant, despite its status as an introducing broker, had "customers" entitled to SIPA protection. The Court found that the firm converted assets in investor accounts by trading without authorization, and that the customers did not ratify the trades. In granting SIPC's application, the Court concluded that SIPC established two factors under SIPA section 78eee(b)(1): first, that the defendant was "equitably insolvent" and unable to meet its obligations as they matured, and, second, that the defendant was not in compliance with SEC reporting requirements.

The liquidation of Lehman Brothers Inc. ("LBI") resulted in several noteworthy decisions:

The Second Circuit in *Ortegón v. Giddens (In re LBI),* 638 F. App'x 47 (2d Cir. 2016), upheld the decisions of the District and Bankruptcy Courts which granted the Trustee's motion for summary judgment on a breach of contract claim by a purported employee of LBI. In rejecting the appellant's claim that LBI breached its employment contract with her by failing to pay a $350,000 bonus, the Court found that LBI had rescinded its offer of employment and terminated its contractual relationship with the appellant before both the contract's official start date and any work began. As the appellant never performed under the contract, she had no right to the bonus and LBI did not breach any contract in refusing payment.

In *Antoncic v. Giddens (In re Lehman Brothers Inc.),* 2016 WL 316857 (S.D.N.Y. Jan. 26, 2016), the District Court vacated a Bankruptcy Court order disallowing and expunging a general creditor claim based on an oral promise for bonus compensation for the year 2008. The Trustee argued that an oral guarantee could not bind the estate because a written policy in an LBI Employee Guide stated that "bonuses are not guaranteed unless otherwise agreed upon in writing." The Court found that the record was insufficient to determine if the Employee Guide was authentic; when it was in effect; or if it was distributed to Lehman employees. In remanding the matter to the Bankruptcy Court for further proceedings, the Court affirmed the denial of a motion by the claimant for leave to add a claim for attorneys' fees.

In *In re Lehman Brothers Inc.,* 554 B.R. 626 (S.D.N.Y. 2016), the claimants, two former employees of LBI, sought payment of non-discretionary bonuses for fiscal years 2007 and 2008. In ruling on their general creditor claims, the Bankruptcy Court found that under the plain language of the asset purchase agreement ("agreement") between Barclays Capital and LBI, LBI delegated its obligation to pay the outstanding 2008 bonuses to Barclays, but remained liable for the 2007 bonus obligation. Because the first claimant received "everything he was owed"—$83 million in bonuses owed by LBI—from Barclays, the District Court, affirming in part and reversing in part the Bankruptcy Court opinion, barred the claim in its entirety. With respect to the second claimant, the District Court affirmed the Bankruptcy Court's order barring his claim. The Court held that the payment the claimant received from Barclays was in satisfaction of LBI's bonus obligations and that he was not entitled to an unspecified additional bonus promised orally because LBI's bonus policy did not allow discretionary bonuses absent a written agreement.

In *FirstBank Puerto Rico v. Giddens (In re LBI),* 562 B.R. 234 (S.D.N.Y. July 7, 2016), the District Court affirmed the Bankruptcy Court's opinion granting the Trustee's motion for an order expunging the customer claim of the appellant, FirstBank Puerto Rico. FirstBank sought the return of securities pledged to Lehman Brothers Special Financing ("LBSF"), a subsidiary of LBI, as part of a routine interest rate swap agreement. LBSF subsequently transferred most of these securities to LBI pursuant to repurchase agreements to which FirstBank was not a party. The Court held that FirstBank was collaterally estopped by previous courts' rulings that determined that FirstBank no longer had an interest in the collateral once LBSF sold it to LBI. Even if it was not collaterally estopped, FirstBank was not a "customer" of LBI because it had no "securities account" at LBI within the meaning of SIPA.

In *Acerra v. Giddens (In re LBI),* 15 Civ. 1819 (AT) (S.D.N.Y. Sept. 29, 2016), the District Court affirmed the decision of the Bankruptcy Court which reclassified the appellants' claims from cash to equity claims and subordinated them as general creditor claims under section 501(b) of the Bankruptcy Code. The appellants, former employees of LBI, were compensated in part with deferred awards of LBHI common stock. The District Court agreed with the Bankruptcy Court that the claims for the deferred awards were for securities and not cash.

In *344 Individuals v. Giddens (In re Lehman Brothers Holdings, Inc.),* 2016 WL 5853265 (2d Cir. Oct. 6, 2016), the Second Circuit affirmed the District Court order affirming the Bankruptcy Court's order denying appellant-claimants' motion to compel arbitration. The appellants, former employees of Shearson Lehman Brothers Inc., a predecessor of LBI, sought to compel arbitration on the issue of whether their claims could be subordinated to LBI's other obligations. The Second Circuit agreed with the Bankruptcy Court that the adversary proceedings regarding the priority of the appellants' claims were a core proceeding in the SIPA liquidation and that compelling arbitration would jeopardize the objectives of the Bankruptcy Code. As such, the Bankruptcy Court did not abuse its discretion in denying the motion to compel arbitration.

Litigation in the liquidation of Bernard L. Madoff Investment Securities LLC ("BLMIS") also resulted in a number of significant decisions:

In *Diana Melton Trust, Dated 12/05/05 v. Picard (In re BLMIS),* 2016 WL 183492 (S.D.N.Y. Jan. 14, 2016), the District Court affirmed the Bankruptcy Court's decision approving the Trustee's methodology for calculating net equity in accounts involving transfers of fictitious profit from other BLMIS accounts. The Trustee, using the "Inter-Account Method," recomputed the amount in the transferor account at the time of the transfer, which calculated net equity by crediting the amount of cash deposited by the customer less any amounts withdrawn. The Trustee then credited the transferee account in an amount up to the recomputed balance in the transferor account. The Court held that the Inter-Account Method was the superior method for calculating net equity as a matter of law and was consistent with both SIPA and the Second Circuit's Net Equity decision. The Court rejected the alternative method suggested by the Appellants, which would credit all transfers among BLMIS accounts at full value and would treat fictitious gains as real. The Court found unavailing Claimants' argument that the Trustee's method allowed him to circumvent the statutory two-year reach-back for fraudulent transfers, in violation of due process. The Court also rejected the argument the Inter-Account Method produced arbitrary and inequitable results, holding that fairness was promoted by prioritizing recovery for individuals who had yet to recover their principal. The Court dismissed appellants' other arguments in finding that the Inter-Account Method did not combine accounts or alter the separateness of accounts, did not breach federal or state policies regarding the finality of transactions, did not exceed the Trustee's power, and did not violate ERISA's anti-alienation provision. Finding that net equity of a shared account should be computed based on the value of the entire account, the Court rejected the objection of an investor seeking credit for a transfer to his individual account from a shared account which had an overall zero net equity, even though the investor made deposits into, but no withdrawals from, the account.

In 2011, the Bankruptcy Court approved a global settlement agreement among the Trustee, the Picower parties, and the U.S Government that resulted in the Picower parties disgorging $7.2 billion—$5 billion to the Trustee and $2.2 billion to the Government. In the order approving the settlement, the Bankruptcy Court also permanently enjoined any BLMIS customer or creditor from asserting any claims duplicative or derivative of those belonging to the Trustee. The Bankruptcy Court in *Picard v. A & G Goldman Partnership (In re BLMIS),* 546 B.R. 284 (Bankr. S.D.N.Y. 2016), granted the Trustee's application for enforcement of the permanent injunction, enjoining the defendants from filing a class-action complaint against the Picower parties in Florida District Court. The Bankruptcy Court held that the most recent complaint, the third such action filed by the defendants, contained many of the same allegations as in previous complaints found deficient because they derived from the Trustee's claims. The permanent injunction barred the defendants' purported independent claims because they sought to augment a "shadow estate," which would allow BLMIS customers to pursue claims wholly derivative of claims already brought by the Trustee. The Court, however, declined to impose an absolute ban on the defendants filing any more complaints against the Picower parties.

In *Picard v. Legacy Capital Ltd. and Khronos LLC (In re BLMIS),* 548 B.R. 13 (Bankr. S.D.N.Y. 2016), the Bankruptcy Court granted the defendants' motions to dismiss the Trustee's amended complaint, except for a portion of one claim seeking to avoid and recover fictitious profits transferred within two years of the BLMIS filing date. The Trustee had filed an amended complaint to avoid and recover approximately $213 million transferred to Legacy Capital, a British Virgin Island corporation, and $6.6 million subsequently transferred from Legacy to Khronos LLC, a New

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

SIPA, Sec. 4(c)(2)

York company that provided accounting services to Legacy. An officer of Legacy received a third-party report raising strong suspicions about BLMIS trading, as well as emails raising concerns about BLMIS’s purported trading activities. As a result, Legacy hired Khronos to review Legacy’s history of trades with BLMIS. The Trustee cited portions of these emails as proof that Legacy had actual knowledge of the BLMIS fraud allowing him to recover transfers going back six years. The Court disagreed and concluded that the emails merely demonstrated suspicions about BLMIS trades leading Legacy to employ Khronos to review its BLMIS trading history. The employment was not proof that Legacy had knowledge of or was willfully blind to the BLMIS fraud.

The Bankruptcy Court in *Picard v. Cohen (In re BLMIS),* 550 B.R. 241 (Bankr. S.D.N.Y. 2016), denied a motion filed by defendants in 57 adversary proceedings seeking to intervene as a matter of right or by permission, or, alternatively, to participate as *amici curiae* in an adversary proceeding to recover fictitious profit withdrawn by a BLMIS customer. The movants argued that they were entitled to intervene because an adverse judgment against the customer would impair their ability to defend their own actions based on the legal principle of *stare decisis*. The Court held that the proposed intervenors were unable to meet requirements for intervening as a matter of right: they did not have a “significantly protectable interest;” they had not demonstrated that the disposition in this case impaired or impeded their ability to protect their own interests; and they did not lack adequate representation in the proceeding. Moreover, as defendants in their own adversary proceedings, the movants were unable to provide the Court with neutral assistance.

The District Court in *Picard v. Cohen,* No. 16 CV 5513-LTS (Oct. 7, 2016), denied the same parties’ motion for leave to file an amicus curiae brief before the District Court. The District Court held that because movants were identically situated to the defendant, their briefs would not add a new perspective, would be duplicative rather than additive, and thus simply burden the Court.

Subsequently, after one movant appealed the Bankruptcy Court’s denial of the motion for leave to intervene, the District Court in *Lanx BM LLC v. Picard (In re BLMIS),* No. 16-cv-4462 (LAP) (S.D.N.Y. November 2, 2016), affirmed the ruling finding that the Bankruptcy Court did not abuse its discretion in denying the appellants’ motion.

After a trial on stipulated facts in *Picard v. Cohen (In re BLMIS),* 2016 WL 1695296 (Bankr. S.D.N.Y. April 25, 2016), the Bankruptcy Court issued proposed findings of fact and conclusions of law and recommended to the District Court that it adopt them and enter final judgment in favor of the Trustee for $1,143,461. The parties stipulated that the defendant had no knowledge of the Ponzi scheme and that he withdrew his fictitious profits within two years of the filing date. The Court held that the Trustee met his burden of proof in relying on the Ponzi scheme presumption that all transfers were made with actual fraudulent intent. The Court rejected each of the defendant’s affirmative defenses, which focused primarily on the assertion that the withdrawals were payments for antecedent debts.

In *Picard v. Avellino (In re BLMIS),* 557 B.R. 89 (Bankr. S.D.N.Y. 2016), the Bankruptcy Court granted in part and denied in part the defendants’ motion to dismiss the Trustee’s amended complaint which sought more than $900 million. The Court dismissed the claims arising from transfers of customer property that occurred prior to January 1, 2001, when Madoff operated his firm as a sole proprietor. The Court held that such claims belonged to the trustee for Madoff's personal estate, rather than the SIPA Trustee. In denying the remainder of the motion to dismiss, the Court held that the Trustee met his burden in pleading with particularity that the initial transferee had actual knowledge that BLMIS was not trading securities.

Similarly, the Bankruptcy Court in *Picard v. the Estate of Steven Mendelow,* 560 B.R. 208 (Bankr. S.D.N.Y. 2016), granted the Trustee's motion to amend his complaint over the defendants' objection, except for portions seeking to amend and recover transfers that occurred prior to January 1, 2001. The Trustee sought to avoid and recover over $20 million in transfers from BLMIS to Steven B. Mendelow and related defendants. Finding no inordinate delay or prejudice to the defendants with the filing of the amended complaint, the Court held that the Trustee sufficiently pled that Mr. Mendelow had actual knowledge of the fraud at BLMIS, and that his knowledge could be imputed to the other defendants.

The defendants in 88 adversary proceedings primarily involving subsequent transfers between foreign parties moved to dismiss the Trustee's avoidance actions. The Bankruptcy Court in *Picard v. Bureau of Labor Insurance,* 2016 WL 6900689 (Bankr. S.D.N.Y. Nov. 22, 2016), granted the motions in part and denied them in part. The Court granted the motions to dismiss with respect to claims against subsequent transferees of initial transferees that were debtors in foreign insolvency proceedings on the ground of international comity. The Court also dismissed claims where the Trustee failed to allege that the subsequent transfer occurred domestically based on the presumption against extraterritoriality. However, the Court denied the motion to dismiss and granted the Trustee leave to amend his complaint in several of the adversary proceedings, finding that the Trustee adequately alleged that either the transferor's principal place of business was domestic or that the transfers were made using domestic bank accounts.

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 131 of the 329 SIPC proceedings commenced since enactment of the Securities Investor Protection Act in December 1970. A total of 314 indictments have been returned in federal or state courts, resulting in 272 convictions to date.

Administrative and/or criminal actions in 288 of the 329 SIPC customer protection proceedings initiated through December 31, 2016, 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	56
Criminal and Administrative Actions	103
Criminal Actions Only	28
Total	288

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 2016 SIPC received no new referrals 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.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Securities Investor Protection Corporation

We have audited the accompanying financial statements of Securities Investor Protection Corporation, which comprise the statement of financial position as of December 31, 2016, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements on pages 20 through 28.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Grant Thornton

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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Arlington, Virginia
April 14, 2017

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

SIPC FINANCIAL STATEMENTS

Statement of Financial Position as of December 31, 2016

ASSETS	
Cash	$ 1,822,393
U.S. Government securities, at fair value and accrued interest receivable of ($15,989,159); (amortized cost $2,726,965,762) (Note 6)	2,719,602,070
Estimated member assessments receivable (Note 3)	207,452,678
Advances to trustees for customer protection proceedings in progress, less allowance for possible losses ($2,108,113,876) (Note 4)	11,100,000
Assets held for deferred compensation plan (Note 8)	1,253,643
Other (Note 5, and Note 9)	3,336,051
	$2,944,566,835
LIABILITIES AND NET ASSETS	
Accrued benefit costs (Note 8)	$ 8,483,258
Amount due on deferred compensation plan (Note 8)	1,253,643
Accounts payable and other accrued expenses	867,453
Deferred rent (Note 5)	2,019,834
Estimated costs to complete customer protection proceedings in progress (Note 4)	944,500,000
Member assessments received in advance (Note 3)	2,349,470
	959,473,658
Unrestricted net assets	1,985,093,177
	$2,944,566,835

The accompanying notes are an integral part of these statements.

Statement of Activities for the year ended December 31, 2016

Revenues:	
Member assessments (Note 3)	$ 431,701,294
Interest on U.S. Government securities	54,973,128
	486,674,422
Expenses:	
Salaries and employee benefits (Note 8)	11,203,324
Legal and accounting fees (Note 4)	245,456
Rent (Note 5)	978,121
Other	3,237,858
	15,664,759
Provision for estimated costs to complete customer protection proceedings in progress (Note 4)	69,541,751
	85,206,510
Excess revenues over expenses	401,467,912
Realized and unrealized loss on U.S. Government securities (Note 6)	(39,652,395)
Pension and postretirement benefit changes other than net periodic costs (Note 8)	367,140
Increase in unrestricted net assets	362,182,657
Unrestricted net assets, beginning of year	1,622,910,520
Unrestricted net assets, end of year	$1,985,093,177

The accompanying notes are an integral part of these statements.

Statement of Cash Flows for the year ended December 31, 2016

Operating activities:	
Interest received from U.S. Government securities	$ 45,193,453
Member assessments received	418,738,794
Advances paid to trustees	(160,642,650)
Recoveries of advances	45,800,898
Salaries and other operating activities expenses paid	(12,751,762)
Net cash provided by operating activities	336,338,733
Investing activities:	
Proceeds from sales of U.S. Government securities	488,829,691
Purchases of U.S. Government securities	(824,049,063)
Purchases of furniture and equipment	(477,941)
Net cash used in investing activities	(335,697,313)
Increase in cash	641,420
Cash, beginning of period	1,180,973
Cash, end of period	$ 1,822,393

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 $2,721,424,463.

In the event the SIPC Fund is or may reasonably appear to be insufficient for the purposes of SIPA, the Securities and Exchange Commission (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.

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 SIPC Fund and to repay any borrowings by SIPC. If the balance of the SIPC Fund aggregates less than $100,000,000, 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 1 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 one-quarter of 1 per centum 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. The assessment rate will be 0.15 per centum for members' fiscal years beginning January 1, 2017 or thereafter. Member 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 2016 but not received, or expected to be received, until 2017.

SIPC FINANCIAL STATEMENTS *continued*

4. Customer protection proceedings

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 78*lll* (2) of SIPA, the definition of a "customer" includes a "person who had 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 customer's 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. Management estimates and records a charge for this and other proceedings, including legal and administrative costs, at the amounts which can reasonably be estimated based on available information provided by the Trustees. Management estimates that the total charges to SIPC for the Madoff proceeding to be approximately $3.0 billion. As actual claims were processed, the Trustee determined the ultimate amount of payment for each claim and the associated legal and administrative costs incurred. Claims can be disputed, which among other factors, could cause the ultimate amount of the claims, and associated legal and administrative costs, to differ from the current estimate. Quantifying the liability associated with proceedings is subject to a number of uncertainties, however, while additional losses beyond those recorded are probable, the additional amount is not currently estimable. Any changes in the estimate will be accounted for prospectively. Recoveries on this and other proceedings are recorded as a reduction to the provision for estimated costs when realized, which occurs when notification is received from the Trustee.

SIPC has advanced a net of $2.12 billion for proceedings in progress to carry out its statutory obligation to satisfy customer claims and to pay administration expenses. Of this amount, $2.11 billion 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, 2016 that result from these proceedings:

	Customer Protection Proceedings	
	Advances to trustees, less allowance for possible losses	Estimated costs to complete
Balance, beginning of year	$38,200,000	$1,016,900,000
Add:		
Provision for current year recoveries	7,600,000	—
Provision for estimated future recoveries	11,100,000	—
Provision for estimated costs to complete proceedings	—	88,200,000
Less:		
Recoveries	45,800,000	—
Advances to trustees	—	160,600,000
Balance, end of year	$11,100,000	$ 944,500,000

5. Commitments

On June 20, 2014, SIPC signed a lease for office space in Washington, D.C. The 11 year lease commenced on August 1, 2015. Future minimum rentals for the space, expiring on August 31, 2026, are as follows: 2017—$827,918; 2018—$848,611; 2019—$869,805; 2020—$895,623; 2021—$925,154; thereafter—$5,055,451; for a total of $9,422,562, as of December 31, 2016. Additional rent expense is based on SIPC's pro rata share of operating expenses in accordance with the terms of the lease. The rent holiday of $915,103 and the leasehold improvement incentive of $1,364,400 are being amortized over the life of the lease.

On December 27, 2012, SIPC renewed its lease for additional office space in Fairfax, Virginia. The seven-year lease commenced on August 1, 2013. Future minimum rentals for the space, expiring on July 31, 2020, are as follows: 2017—$153,194; 2018—$157,407; 2019—$161,735; 2020—$95,842; for a total of $568,178, as of December 31, 2016. Additional rent is based on SIPC's pro rata share of operating expenses in accordance with the terms of the lease.

6. Fair value of securities

FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

> Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SIPC has the ability to access.

> Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

> Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of observable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

The fair value of U.S. Government securities is based on the bid quote as of December 31, 2016 as reported by a third party pricing service. As a bid quote on U.S. Government securities varies 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. As of December 31, 2016, all securities held within the portfolio are priced using Level 2 inputs.

U.S. Government securities as of December 31, 2016 included cumulative gross unrealized gains of $26,119,117 and cumulative gross unrealized losses of $33,482,809.

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

Increase in unrestricted net assets	$362,182,657
Net decrease in estimated cost to complete customer protection proceedings	(72,400,000)
Realized and unrealized loss on U.S. Government securities	39,652,395
Net decrease in estimated recoveries of advances to trustees	27,100,000
Increase in estimated assessment receivable	(13,762,500)
Net amortized premium on U.S. Government securities	(8,260,396)
Increase in accrued interest receivable on U.S. Government securities	(1,519,280)
Increase in payables and accrued expenses	943,527
Increase in member assessments collected in advance	799,470
Depreciation and amortization	773,371
Decrease in prepaid expenses	718,780
Increase in deferred rent	108,747
Loss on disposal of assets	1,962
Net cash provided by operating activities	$336,338,733

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 $1,253,643 year-end market value of the supplemental plan is reflected as assets held for deferred compensation plan and as amount due on deferred compensation plan in the Statement of Financial Position. 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	$45,480,726	$ 6,736,797
Service cost	1,506,315	299,491
Interest cost	1,908,265	287,103
Plan participants' contributions	—	22,151
Amendments	—	—
Actuarial loss	137,509	375,600
Benefits paid	(1,055,899)	(94,260)
Benefit obligation at end of year	$47,976,916	$ 7,626,882
Change in Plan Assets		
Fair value of plan assets at beginning of year	$44,555,585	$ —
Actual return on plan assets	3,612,695	—
Employer contributions prior to measurement date	—	—
Employer contributions	—	72,109
Plan participants' contributions	—	22,151
Benefits paid	(1,055,899)	(94,260)
Fair value of plan assets at end of year	$47,112,381	$ —
Funded status	$ (864,535)	$(7,626,882)
Employer contributions between measurement and statement date	—	—
Funded status at year end	$ (864,535)	$(7,626,882)
Amounts recognized in the Statement of Financial Position and net assets consist of:		
Net amount recognized in the Statement of Financial Position	$ (864,535)	$(7,626,882)
Accumulated benefit obligation end of year	$44,998,521	$ 7,626,882

SIPC FINANCIAL STATEMENTS *continued*

	Pension Benefits	Other Postretirement Benefits
Weighted-average assumptions for disclosure as of December 31, 2016		
Discount rate	4.00%	4.10%
Salary scale 2017 / thereafter	3.00%/2.50%	N/A
Health Care Cost Trend: Initial Pre-65/Post-65	N/A	7.05%/5.90%
Health Care Cost Trend: Ultimate	N/A	5.00%
Year Ultimate Reached	N/A	2022
Components of net periodic benefit cost and other amounts recognized within the Statement of Activities		
Net periodic benefit cost		
Service cost	$1,506,315	$ 299,491
Interest cost	1,908,265	287,103
Expected return on plan assets	(3,184,885)	—
Recognized prior service cost (credit)	28,982	(398,660)
Recognized actuarial loss	736,126	85,991
Net periodic benefit cost	994,803	273,925
Pension and other postretirement benefit changes other than net periodic benefit cost		
Net actuarial (gain) loss	(290,301)	375,600
Recognized actuarial loss	(736,126)	(85,991)
Prior service cost	—	—
Recognized prior service (cost) credit	(28,982)	398,660
Total pension and postretirement benefit changes other than net periodic cost	(1,055,409)	688,269
Total net periodic other beneift cost and pension and other postretirement benefits changes other than net periodic benefit cost	$ (60,606)	$ 962,194
Amounts expected to be recognized in net periodic cost in the coming year		
Loss recognition	$ 584,523	$ 184,918
Prior service cost recognition	1,426	3,673
Total	$ 585,949	$ 188,591
Effect of a 1% increase in trend on:		
Benefit Obligation	N/A	$ 1,303,644
Total Service Interest Cost	N/A	$ 141,898
Effect of a 1% decrease in trend on:		
Benefit Obligation	N/A	$ (1,248,188)
Total service interest cost	N/A	$ (114,383)
Weighted-average assumptions for net periodic cost as of December 31, 2016		
Discount rate	4.20%	4.30%
Expected asset return	7.25%	N/A
Salary scale 2016/thereafter	3.0%/2.5%	N/A
Health Care Cost Trend: Initial pre-65/post-65	N/A	7.55%/6.10%
Health Care Cost Trend: Ultimate	N/A	5.00%
Year ultimate reached	N/A	2022

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 2016, the unrecognized net loss decreased by 2.3% of the 12/31/2015 projected benefit obligation primarily due a change in the salary scale and the mortality scale.

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 2016 by ($696,000)/$808,000 and (decreased)/increased the year-end projected benefit obligation by ($6.1)/$7.6 million.

Asset Summary

Asset Category	Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity securities:	
U.S. large and multi-cap mutual funds	$26,445,874
Non-U.S. large and multi-cap mutual funds	5,348,037
Total Equity	31,793,911
Fixed Income securities:	
U.S. Treasuries/Government & corporate bond mutual funds	15,318,470
Total Fixed Income	15,318,470
Total	$47,112,381

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 26. A 1% increase/(decrease) in the expected return assumption would have (decreased)/increased the net periodic benefit cost for 2016 by $439,000.

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 12/31/2016
Equity securities	9.00%	60–70%	67%
Debt securities	4.00%	40–30%	33%
Total	7.25%	100%	100%

Estimated Future Benefit Payments Estimated future benefit payments, including future benefit accrual	Pension	Other Benefits
2017	$ 1,630,219	$ 120,706
2018	$ 1,801,838	$ 157,088
2019	$ 1,965,491	$ 184,260
2020	$ 2,208,247	$ 256,029
2021	$ 2,439,134	$ 311,532
2022–2026	$14,095,108	$1,992,850

Contributions

SIPC expects to make no contributions to the pension plan in 2017 for the 2016 plan year and $121,000 to the postretirement benefit plan during 2017.

Defined Contribution Plan	
SIPC contributions (60% of employee contributions, up to 3.6% of compensation)	$ 225,250

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. The equipment, furniture, and leasehold improvements listed below are included in "Other" assets within the Statement of Financial Position.

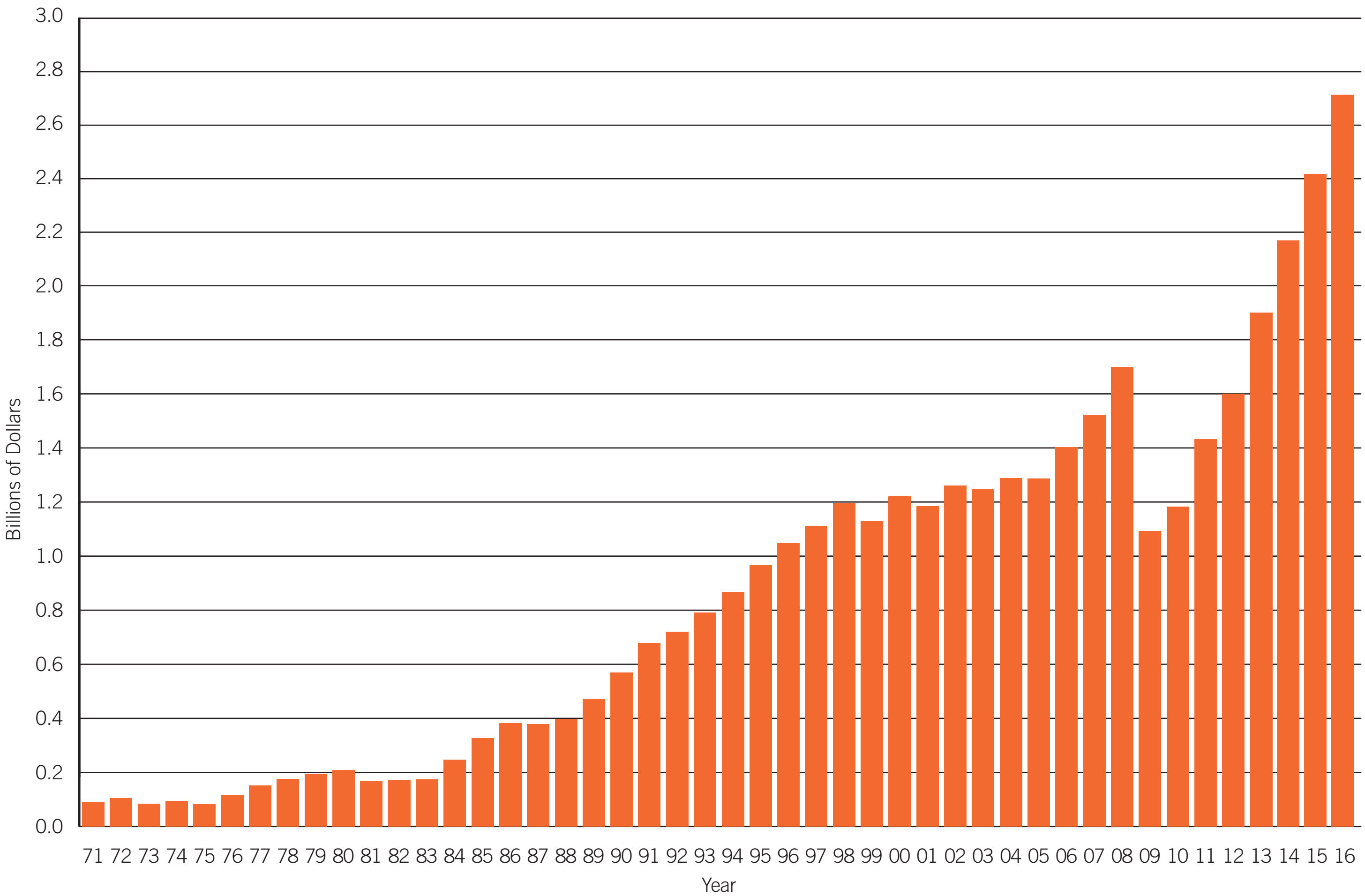
10. Subsequent Events

SIPC evaluated its December 31, 2016 financial statements for subsequent events through April 14, 2017, the date the financial statements were available to be issued. On January 23, 2017, the proceeding for the liquidation of TWS Financial, LLC was closed and which is not expected to have a material effect on the financial statements. SIPC is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Fixed Assets	
Office Equipment at cost	$ 68,464
Computer Hardware at cost	3,355,485
Computer Software at cost	1,717,851
Office Furniture and Fixtures at cost	1,188,306
Leasehold improvements at cost	1,446,737
Total fixed assets at cost	7,776,843
Less accumulated depreciation and amortization	(4,510,287)
Net fixed assets	$3,266,556
2016 depreciation and amortization expense	$ 773,371

TABLE 5

SIPC Fund Comparison
Inception to December 31, 2016



APPENDIX 1
DISTRIBUTIONS FOR ACCOUNTS OF CUSTOMERS

for the Forty-Six Years Ended December 31, 2016 (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
2011	8,169,689	32,678	(94)	32,584	8,202,273
2012	3,217,290	19,338	(1,774)	17,564	3,234,854
2013	12,411,307	8,646	(118,084)	(109,438)	12,301,869
2014	924,822	16,099	(11,709)	4,390	929,212
2015	4,247,436	10,169#	(11,457)	(1,288)	4,246,148
2016	(608,091)#	8,188	(45,870)	(37,682)	(645,773)
	$136,589,600	$1,529,016	$(540,008)	$989,008	$137,578,608

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

Reflects adjustment to customer distributions based upon Trustee's revised allocation.

@ 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, 2016

	2016	2015	2014	2013	2012
Revenues:					
Member assessments and contributions	$431,701,294	$429,447,213	$426,719,980	$417,721,699	$412,305,529
Interest on U.S. Government securities	54,873,106	47,844,129	39,852,719	38,577,719	39,995,610
Interest on assessments	100,022	102,926	160,303	161,223	149,872
	486,674,422	477,394,268	466,733,002	456,460,641	452,451,011
Expenses:					
Salaries and employee benefits	11,203,324	10,363,111	8,563,289	10,146,315	9,993,350
Legal fees	159,881	135,866	131,219	953,722	1,536,663
Accounting fees	85,575	123,454	108,990	104,227	109,600
Professional fees—other	289,169	394,795	346,600	863,160	741,567
Other:					
Assessment collection cost	23,201	27,299	24,975	18,788	19,390
Depreciation and amortization	773,371	781,581	766,894	772,156	727,440
Directors' fees and expenses	43,178	44,010	37,039	46,281	38,907
Insurance	33,879	39,281	36,906	36,324	30,710
Investor education	197,735	368,637	211,481	332,318	179,368
Office supplies and expense	228,482	281,081	261,362	154,917	200,347
EDP and internet expenses*	1,070,947	1,105,179	957,864	974,839	1,550,030
Postage	12,722	12,358	9,258	9,350	12,520
Printing & mailing annual report	29,051	30,192	28,921	37,471	37,636
Publications and reference services	361,316	282,382	232,080	180,428	179,340
Rent office space	978,121	1,186,494	797,186	758,128	738,916
Travel and subsistence	114,848	113,958	136,704	149,809	155,444
Personnel recruitment		177,584	114,580		152,400
Miscellaneous	59,959	43,702	33,937	59,684	47,218
	3,926,810	4,493,738	3,649,187	3,530,493	4,069,666
	15,664,759	15,510,964	12,799,285	15,597,917	16,450,846
Customer protection proceedings:					
Net advances to (recoveries from):					
Trustees other than SIPC:					
Securities	(37,710,029)	(1,127,239)	(68,428)	(106,909,317)	19,231,225
Cash	(354)	(28,222)	(1,763)	(3,514,070)	(1,651,432)
	(37,710,383)	(1,155,461)	(70,191)	(110,423,387)	17,579,793
Administration expenses	151,630,458	175,369,685	191,521,565	198,575,637	209,774,526
	113,920,075	174,214,224	191,451,374	88,152,250	227,354,319
Net change in estimated future recoveries	27,100,000	(26,900,000)	(500,000)	102,200,000	(111,300,000)
	141,020,075	147,314,224	190,951,374	190,352,250	116,054,319
SIPC as Trustee:					
Securities	(357,941)	(156,600)	3,651,561	669,354	(4,921)
Cash	385,893	24,299	808,448	211,774	(10,402)
	27,952	(132,301)	4,460,009	881,128	(15,323)
Administration expenses	893,724	541,747	633,401	800,084	5,283
	921,676	409,446	5,093,410	1,681,212	(10,040)
Direct payments:					
Securities					
Cash				103,714	
				103,714	
Administration expenses		(600)	975	12,715	
		(600)	975	116,429	
Net change in estimated cost to complete proceedings	(72,400,000)	118,300,000	(49,400,000)	(167,500,000)	(192,300,000)
	69,541,751	266,023,070	146,645,759	24,649,891	(76,255,721)
	85,206,510	281,534,034	159,445,044	40,247,808	(59,804,875)
Total revenues over expenses	401,467,912	195,860,234	307,287,958	416,212,833	512,255,886
Realized and unrealized loss on U.S. Government securities	(39,652,395)	(25,917,850)	(5,281,585)	(52,663,109)	(14,309,673)
Pension and postretirement benefit changes other than net periodic benefit costs	367,140	(911,654)	(10,755,619)	14,850,300	390,854
Increase in unrestricted net assets	$362,182,657	$169,030,730	$291,250,754	$378,400,024	$498,337,067

*2012–2015 have been restated to combine Telephone with EDP and internet expenses

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	3,000
Bernard L. Madoff Investment Securities LLC New York, NY (Irving H. Picard, Esq.)	01/19/60	12/11/08	12/15/08	8,110	16,519*	2,609
Westor Capital Group, Inc. New York, NY (SIPC)	09/27/00	04/16/13	04/16/13	499	140	106
Global Arena Capital Corp. New York, NY (SIPC)	09/26/85	01/28/16	02/16/16	8,783	391	3
TOTAL 4 MEMBERS: PART A				**60,775**	**18,749**	**5,718**

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

This number does not include customer distributions made by the court appointed receiver prior to SIPC's involvement in the proceeding.

December 31, 2016

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 54,679,131	$ 52,476,595#	$ 2,202,536	$ 14,357,790	$ 12,757,790			$1,600,000
8,822,424,086	8,800,434,542	21,989,544	2,097,074,493	1,430,493,389		$666,581,104	
7,521,352	7,514,388	6,964	1,467,222	674,461		11,538	781,223
			1,147,315	780,963			366,352
$8,884,624,569	**$8,860,425,525**	**$24,199,044**	**$2,114,046,820**	**$1,444,706,603**		**$666,592,642**	**$2,747,575**

APPENDIX 3
CUSTOMER PROTECTION PROCEEDINGS
continued

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
Lehman Brothers Inc. New York, NY (James W. Giddens, Esq.)	03/27/65	09/19/08	09/19/08	905,000	124,248	111,888
TWS Financial, LLC Brooklyn, NY (SIPC)	03/09/04	05/31/13	05/31/13	2,272	76	12
TOTAL 2 MEMBERS: PART B				**907,272**	**124,324**	**111,900**

December 31, 2016

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$107,099,011,273	$105,773,207,834	$1,325,803,439					
1,527,091	1,527,091		$5,167,056	$1,283,551		$3,601,105	$282,400
$107,100,538,364	**$105,774,734,925**	**$1,325,803,439**	**$5,167,056**	**$1,283,551**		**$3,601,105**	**$282,400**

APPENDIX 3
CUSTOMER PROTECTION PROCEEDINGS *continued*

PART C: Proceedings Completed in 2016[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
MF Global Inc. New York, NY (James W. Giddens, Esq.)	07/31/74	10/31/11	10/31/11	74,763	28,711	30,088
TOTAL 1 MEMBER 2016				**74,763**	**28,711**	**30,088**
TOTAL 322 MEMBERS 1973–2015[d]				**2,176,917**	**447,214**	**625,286**
TOTAL 323 MEMBERS 1973–2016				**2,251,680**	**475,925**	**655,374**

^ Date Notice Published

Δ MF Global Inc. operated as a Futures Commission Merchant and a broker-dealer. The distribution amount includes assets distributed to commodities customers.

+ The reduction from the prior year represents the exclusion of distributions to general creditors which had been previously included.

December 31, 2016

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 6,654,714,625	$ 6,312,420,755[+]	$342,293,870[Δ]					
6,654,714,625	**6,321,420,755**	**342,293,870**					
15,966,645,996	**15,642,018,818**	**324,627,178**	**$513,584,980**	**$197,800,973**	**$1,388,427**	**$183,189,875**	**$131,205,705**
$22,621,360,621	**$21,954,439,573**	**$666,921,048**	**$513,584,980**	**$197,800,973**	**$1,388,427**	**$183,189,875**	**$131,205,705**

APPENDIX 3
CUSTOMER PROTECTION PROCEEDINGS *continued*

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 and Distributions Being Processed	60,775	18,749	5,718
Part B: 2 Members — Customer Claims Satisfied, Litigation Matters Pending	907,272	124,324	111,900
Sub-Total	968,047	143,073	117,618
Part C: 323 Members — Proceedings Completed	2,251,680	475,925	655,374
Total	**3,219,727**	**618,998**	**772,992**

Appendix 3 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, 2016

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 8,884,624,569	$ 8,860,425,525	$ 24,199,044	$2,114,046,820	$1,444,706,603		$666,592,642	$ 2,747,575
107,100,538,364	105,774,734,925	1,325,803,439	5,167,056	1,283,551		3,601,105	282,400
115,985,162,933	114,635,160,450	1,350,002,483	2,119,213,876	1,445,990,154		670,193,747	3,029,975
22,621,360,621	21,954,439,573	666,921,048	513,584,980	197,800,973	$1,388,427	183,189,875	131,205,705
$138,606,523,554	**$136,589,600,023**	**$2,016,923,531**	**$2,632,798,856**	**$1,643,791,127**	**$1,388,427**	**$853,383,622**	**$134,235,680**

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