

AB  
3/24

KW 3/22

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response..... 12.00



11020436

ANNUAL AUDITED REPORT  
FORM X-17A-6  
PART III

RECEIVED  
MAR 01 2011  
211  
SECTION

SEC FILE NUMBER  
8-45442

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2010 AND ENDING December 31, 2010  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SAFEGUARD SECURITIES, INC.

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2000 AUBURN DRIVE SUITE 300

CLEVELAND OH 44122  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
PETER MOONEY (216) 593-5095  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

HOBE & LUCAS CPA'S, INC.

(Name - if individual, state last, first, middle name)

4807 ROCKSIDE ROAD, SUITE 510 INDEPENDENCE OH 44131  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

KW  
3/28

OATH OR AFFIRMATION

I, PETER MOONEY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SAFEGUARD SECURITIES, INC., as of DECEMBER 31, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Handwritten Signature]
Signature
PRESIDENT
Title

[Handwritten Signature]
Notary Public

David W. Kuhr
Notary Public, State of Ohio
My Commission Expires: 12/16/2015

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**SAFEGUARD SECURITIES, INC.**

**DECEMBER 31, 2010**

**TABLE OF CONTENTS**

<b><u>Independent Auditors' Report</u></b> .....	2
<b><u>Statement of Financial Condition</u></b> December 31, 2010.....	3
<b><u>Statement of Operations</u></b> For the year ended December 31, 2010.....	4
<b><u>Statement of Changes in Shareholder's Equity</u></b> For the year ended December 31, 2010.....	5
<b><u>Statement of Cash Flows</u></b> For the year ended December 31, 2010.....	6
<b><u>Notes to the Financial Statements</u></b> .....	7 - 10
<b><u>Supplemental Information</u></b> .....	11 - 13
<b><u>Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5</u></b> .....	14 - 15

# Hobe & Lucas

Certified Public Accountants, Inc.

4807 Rockside Road, Suite 510 Phone: (216) 524.8900  
Independence, Ohio 44131 Fax: (216) 524.8777  
<http://www.hobe.com>

## INDEPENDENT AUDITORS' REPORT

To the Shareholder  
Safeguard Securities, Inc.

We have audited the accompanying statement of financial condition of Safeguard Securities, Inc. (a wholly-owned subsidiary of Source Companies, LLC) as of December 31, 2010, and the related statements of operations, changes in shareholder's equity, and cash flows for the year then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company'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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Safeguard Securities, Inc. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hobe & Lucas*  
*Certified Public Accountants, Inc.*

February 24, 2011

Independent Member

**B K R**

INTERNATIONAL

Firms In Principal Cities Worldwide

**SAFEGUARD SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2010**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	10,500	
Prepaid expenses		6,849	
Marketable securities - trading securities		9,077	
Accounts receivable		<u>117,466</u>	\$ 143,892

**Other Assets**

Goodwill			<u>27,500</u>
			<u>\$ 171,392</u>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

**Current Liabilities**

Accounts payable	\$	13,000	
Accrued expenses		50,365	
Accrued income taxes		<u>1,500</u>	\$ 64,865

**Shareholder's Equity**

Common stock, no par value, 1,000 shares authorized			
258 shares issued and outstanding		52,500	
Retained earnings		<u>54,027</u>	<u>106,527</u>
			<u>\$ 171,392</u>

The accompanying notes are an integral part of these statements.

**SAFEGUARD SECURITIES, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

<b><u>Revenue</u></b>		
Fee based revenues	\$ 29,324	
Commissions	25,877	
Mutual fund fees	23,185	
Insurance commissions	408,317	
RIA fees	324,409	
Other revenue related to securities business	497,832	
Net investment income, including unrealized gains (losses)	997	\$ 1,309,941
<b><u>Expenses</u></b>		
Commissions	327,363	
Payroll and related expenses	563,376	
Consulting and professional fees	297,788	
Clearing expenses	28,369	
Rent and utilities	44,320	
Insurance	22,703	
Office expenses	4,078	
Other expenses	11,654	1,299,651
<b><u>Net Income Before Provision For Income Taxes</u></b>		10,290
<b><u>Provision For Income Taxes</u></b>		1,340
<b><u>Net Income</u></b>		\$ 8,950

The accompanying notes are an integral part of these statements.

**SAFEGUARD SECURITIES, INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Common Stock</b>	<b>Retained Earnings</b>	<b>Total</b>
<b><u>Balance - January 1, 2010</u></b>	\$ 52,500	\$ 45,077	\$ 97,577
Net income		8,950	8,950
<b><u>Balance - December 31, 2010</u></b>	\$ 52,500	\$ 54,027	\$ 106,527

The accompanying notes are an integral part of these statements.

**SAFEGUARD SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**Cash Flows From Operating Activities**

Net income (loss)	\$ 8,950
Adjustments to reconcile net income to net cash used in operating activities:	
Net increase in marketable securities	(304)
Increase (decrease) in cash from changes in operating activities:	
(Increase) decrease in accounts receivable	(60,263)
(Increase) decrease in prepaid expenses	108
Increase (decrease) in accounts payable	(18,235)
Increase (decrease) in accrued expenses	37,388
Increase (decrease) in accrued income taxes	(3,849)
Net Cash Used In Operating Activities	(36,205)

**Net Increase (Decrease) in Cash** (36,205)

**Cash at Beginning of Year** 46,705

**Cash at End of Year** \$ 10,500

**Supplemental Disclosure of Cash Flow Information**

Interest paid	\$ -
Income taxes paid	\$ 5,189

The accompanying notes are an integral part of these statements.

**SAFEGUARD SECURITIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 1 - ORGANIZATION**

Safeguard Securities, Inc. (the Company), a wholly-owned subsidiary of Source Companies, LLC (the Parent), is a fully-disclosed broker/dealer registered with the Securities and Exchange Commission (SEC). The Company is a member of the Financial Industry Regulatory Authority (FINRA) specializing in selling investment securities and is registered in various states.

The Company's current activities include participating in an execution and clearing agreement with an introducing clearing firm, the purchasing and redeeming of mutual funds and variable life insurance and annuities for customers, and investment management services. In many cases orders with the mutual funds and/or life insurance companies are placed in the customer's names, the shares or units are held by the funds' or insurance company's custodians, and the Company's only financial involvement is through receipt of commission checks from the mutual fund or insurance company.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Estimates**

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The Company is taxed as a C corporation and required to pay federal corporate income taxes on its taxable income.

The provision for income taxes at December 31, 2010 is comprised of the following:

Current	\$ 1,340
Deferred	<u>0</u>
	<u>\$ 1,340</u>

**SAFEGUARD SECURITIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes (Continued)**

The financial statements reflect only the Company's tax positions that meet a "more likely than not" standard that, based on their technical merits, have a more than 50 percent likelihood of being sustained upon examination. The Company did not recognize any interest or penalties on uncertain tax positions on the balance sheet for the period ended December 31, 2010. Company management has determined that no reasonably possible changes will be made over the next 12 months regarding their tax positions. Reporting periods ending December 31, 2007, December 31, 2008, December 31, 2009 and December 31, 2010 are subject to examination by major taxing authorities.

**Cash and Cash Equivalents**

The Company considers financial instruments with an original maturity of less than 90 days to be cash equivalents. Included in cash and cash equivalents at December 31, 2010, are cash and money market funds.

**Marketable Securities - Trading Securities**

Marketable securities are trading securities carried at market value with unrealized gains and losses reported in operations in the year in which they occur. Net realized gains and losses on security transactions are determined on the specific identification cost basis.

**Concentration of Credit Risk**

The Company is engaged in various trading and brokerage activities for itself for which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event that these other broker-dealers or counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of these other broker-dealers or counterparties. It is the Company's policy to review, as necessary, the credit standing of these various relationships.

**Accounts Receivable**

The Company uses the reserve method of accounting for bad debts. The allowance for doubtful accounts was \$0 at December 31, 2010.

**SAFEGUARD SECURITIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Goodwill**

Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the entity's carrying value is greater than its fair value. At December 31, 2010, the Company determined that fair value of the goodwill was greater than its carrying value. Accordingly, no impairment was recorded for the year ended December 31, 2010.

**NOTE 3 - FAIR VALUE**

Generally Accepted Accounting Principles define fair value, establish a framework for measuring, and establish a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by Generally Accepted Accounting Principles, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

At December 31, 2010, marketable securities owned by the Company represented mutual funds at market value and are classified as Level 1 securities. Shares of stock in Ancora Income Fund Class D (a fund of Ancora Trust which is managed by Ancora Advisors, LLC, an entity that is under common control with the parent of the Company) comprised 100% of the Company's total investments at December 31, 2010. The securities are valued as follows:

Cost	\$ 10,000
Unrealized loss	<u>(923)</u>
Fair market value	<u>\$ 9,077</u>

Unrealized gains of \$(304) are included in net investment income for the year ended December 31, 2010.

**SAFEGUARD SECURITIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**NOTE 4 - RELATED PARTY TRANSACTIONS**

The Company has entered into a formal expense sharing agreement with the Parent. The agreement provides that certain non-regulatory expenses, such as salaries, rent and utilities, be paid by the Parent on behalf of the Company. Amounts are paid to the Parent to reimburse these expenses and total approximately \$47,000 per month. Included in accounts payable at December 2010 is \$13,000 owed to the Parent.

The Company has a consulting agreement with Ancora Securities, Inc. (Ancora), an affiliate under common control with the Parent, in the amount of \$1,000 per month. The Company also has an execution and clearing agreement with Ancora. Fees were paid under this agreement in the amount of \$29,881 for the year ended December 31, 2010.

**NOTE 5 - NET CAPITAL PROVISION OF RULE 15c3-1**

The Company is subject to the Securities and Exchange Commission (SEC) uniform net capital rule (Rule 15c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2010, Safeguard Securities, Inc. had net capital of \$70,764 which was \$65,764 in excess of its required net capital of \$5,000. Safeguard Securities, Inc.'s ratio of aggregate indebtedness to net capital was 91.66%.

**NOTE 6 - EXEMPTION FROM RULE 15c3-3**

The Company acts as an introducing broker or dealer, promptly transmitting all funds and delivering all securities received in connection with its activities as a broker or dealer and does not otherwise hold funds or securities for or owe money or securities to customers. The Company operates under Section (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and is therefore exempt from the requirements of Rule 15c3-3.

**NOTE 7 - CONCENTRATION OF CREDIT RISK**

The Company maintains cash in financial institutions which, time to time, may exceed federally insured limits.

**NOTE 8 - SUBSEQUENT EVENTS**

The Company has evaluated all subsequent events through February 24, 2011, the available date of issuance of the financial statements.

**SUPPLEMENTAL INFORMATION**  
**PURSUANT TO RULE 17a-5 OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

**DECEMBER 31, 2010**

**SAFEGUARD SECURITIES, INC.**  
**COMPUTATION OF NET CAPITAL**  
**PURSUANT TO RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2010**

**Net Capital**

Total shareholder's equity from statement of financial condition	\$ 106,527
Less: Non-allowable assets:	
Prepaid expenses	(6,849)
Goodwill	(27,500)
	<u>72,178</u>

**Net Capital Before Haircuts on Securities**

Haircuts on securities	<u>(1,414)</u>
------------------------	----------------

**Net Capital**

	<u>\$ 70,764</u>
--	------------------

**Computation of Aggregate Indebtedness**

Accounts payable and accrued expenses	<u>\$ 64,865</u>
---------------------------------------	------------------

**Computation of Basic Net Capital Requirement -  
6 2/3% of Aggregate Indebtedness**

	<u>\$ 4,324</u>
--	-----------------

**Minimum Required Net Capital**

	<u>\$ 5,000</u>
--	-----------------

**Net Capital Requirement**

	<u>\$ 5,000</u>
--	-----------------

**Excess Net Capital**

	<u>\$ 65,764</u>
--	------------------

**Excess Net Capital at 1,000%**

	<u>\$ 64,278</u>
--	------------------

**Ratio of Aggregate Indebtedness to Net Capital**

	<u>91.66%</u>
--	---------------

**SAFEGUARD SECURITIES, INC.**  
**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**AND INFORMATION RELATING TO POSSESSION OR CONTROL**  
**REQUIREMENTS PURSUANT TO RULE 15c3-3 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2010**

A reconciliation of the computation of net capital under Rule 15c3-1 as included in the Company's unaudited Form X-17a-5 as of December 31, 2010, filed with the Securities and Exchange Commission and the amount included in the accompanying Schedule I computation is not required as there were no audit adjustments.

The Company is not required to present the schedule "Computation for Determination of Reserve Requirements under Rule 15c3-3" and "Information for Possession or Control Requirements under Rule 15c3-3" as it meets the exemptive provisions of Rule 15c3-3, under Section (k)(2)(ii) of the Rule.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL** **REQUIRED BY SEC RULE 17a-5**

To the Shareholder  
Safeguard Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Safeguard Securities, Inc. (the Company) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verification, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than those specified parties.

*Hobe & Lucas*  
*Certified Public Accountants, Inc.*

February 24, 2011

**SAFEGUARD SECURITIES, INC.**

**AGREED-UPON PROCEDURES**

**DECEMBER 31, 2010**

**SAFEGUARD SECURITIES, INC.**  
**DECEMBER 31, 2010**

**TABLE OF CONTENTS**

**Independent Auditors' Report on Applying Agreed-Upon  
Procedures Related to an Entity's SIPC Assessment Reconciliation.....**1-2

**Form SIPC-7.....**3-4

## **Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's SIPC Assessment Reconciliation**

To the Board of Directors of Safeguard Securities, Inc.  
Beachwood, Ohio

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the period from January 01, 2010 to December 31, 2010, which were agreed to by Safeguard Securities, Inc., and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Safeguard Securities, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Safeguard Securities, Inc.'s management is responsible for the Safeguard Securities, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SPIC-7 with respective cash disbursement records noting no differences;
2. Compared the Total Revenue amounts of the audited Form X-17A-5 for the year ended December 31, 2010 with the amounts reported in Form SIPC-7 for the year ended December 31, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers (Excel spreadsheets derived from the general ledger) that were prepared by management noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers (Excel spreadsheet derived from the general ledger) that were prepared by management supporting the adjustments noting no differences; and
5. Not applicable – there is no overpayment.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Hobe & Lucas*  
*Certified Public Accountants, Inc.*

February 24, 2011

**SIPC-7**

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(33-REV 7/10)

For the fiscal year ended 12/31, 2010  
(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

045442 FINRA DEC  
SAFEGUARD SECURITIES INC 17\*17  
2000 AUBURN DR STE 300  
CLEVELAND OH 44122-4328

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

2. A. General Assessment (Item 2e from page 2)	\$ <u>853.32</u>
B. Less payment made with SIPC-6 filed (exclude interest)	( <u>150</u> )
_____ Date Paid	
C. Less prior overpayment applied	( _____ )
D. Assessment balance due or (overpayment)	<u>703.32</u>
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum	_____
F. Total assessment balance and interest due (or overpayment carried forward)	\$ <u>703.32</u>
G. PAID WITH THIS FORM: Check enclosed, payable to SIPC Total (must be same as F above)	\$ <u>703.32</u>
H. Overpayment carried forward	\$( _____ )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Safeguard Securities Inc.

(Name of Corporation, Partnership or other organization)

Daved W. [Signature]

(Authorized Signature)

Finop/CCO

(Title)

Dated the 24 day of February, 2011.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER** Dates: Postmarked Received Reviewed

Calculations \_\_\_\_\_ Documentation \_\_\_\_\_ Forward Copy \_\_\_\_\_

Exceptions:

Disposition of exceptions:

## DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period  
beginning 111, 2010  
and ending 1231, 2010  
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 1,309,940

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

928,341

28,369

304

11,599

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ \_\_\_\_\_

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

Total deductions

968,613

346,327

2d. SIPC Net Operating Revenues

\$ \_\_\_\_\_

2e. General Assessment @ .0025

\$ 853.32

(to page 1, line 2.A.)

**SAFEGUARD SECURITIES, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**