Annual Report 1981

SECURITIES INVESTOR PROTECTION CORPORATION

SECURITIES INVESTOR PROTECTION CORPORATION
900 SEVENTEENTH STREET, N.W. SUITE 800
WASHINGTON, D.C. 20006
202-223-8400

February 26, 1982

The Honorable John S. R. Shad
Chairman
Securities and Exchange Commission
500 North Capitol Street, N.W.
Washington, D.C. 20549

Dear Sir:

On behalf of the Board of Directors I submit herewith the Eleventh 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,

Hugh F. Owens

Hugh F. Owens
Chairman

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

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

* Except those engaged exclusively in the distribution of mutual fund shares, the sale of variable annuities, the insurance business, furnishing investment advice to investment companies and insurance companies, and those whose principal business is conducted outside the United States.

Contents

Securities Investor Protection Corporation

Directors

Hugh F. Owens
Chairman

Mr. Owens resigned effective February 28, 1982. On February 2, 1982, President Reagan nominated James G. Stearns, Director, Office of Alcohol Fuels, U.S. Department of Energy, as a public member of the SIPC Board and announced his intention to designate him Chairman.

Adolph P. Schuman
President, Lilli Ann Corporation
San Francisco, California
Vice Chairman

James L. Kichline
Director, Division of Research and Statistics,
Board of Governors of the Federal Reserve System
Washington, D.C.

Brenton H. Rupple
Chairman, Robert W. Baird & Co., Inc.
Milwaukee, Wisconsin

Roger W. Mehle
Assistant Secretary for Domestic Finance
Department of the Treasury
Washington, D.C.

Ralph D. DeNunzio
President and Chief Executive Officer
Kidder Peabody & Co., Inc.
New York, New York

On February 11, 1982, President Reagan nominated James W. Fuller, Senior Vice President, Charles Schwab & Co., Inc., as a SIPC Director.

Staff Officers

Lloyd W. McChesney
Vice President—Finance

John B. Bourne
Assistant Vice President—Finance

J. H. Moelter
Assistant Vice President—Finance

Theodore H. Focht
General Counsel & Secretary

Michael E. Don
Associate General Counsel

William H. Seckinger
Associate General Counsel

Introduction

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 (SIPA). Its purpose is to afford certain protections against financial loss to customers of broker-dealers which fail and, thereby, promote investor confidence in the nation's securities markets. Currently, the limits of protection are $500,000 per customer, except that claims for cash are limited to $100,000 per customer.

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

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

The SIPC staff, numbering 29 is composed of the Finance Department, headed by a Vice-President, and the Legal Department headed by the General Counsel. Their functions include initiating the steps leading to the liquidation of a member, advising the trustee, his counsel and accountants, reviewing claims, auditing distributions of property, and other activities pertaining to the Corporation's purpose. In cases where the court appoints SIPC or a SIPC employee 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 to the courts having jurisdiction.

The money required to protect customers beyond that which is available from the property in the possession of the failed broker-dealer is advanced by SIPC from a fund maintained for that purpose. The sources of money for the SIPC Fund are assessments collected from SIPC members and interest on investments in United States Government securities. If the need arises, the Securities and Exchange Commission has the authority to lend SIPC up to $1 billion, which it, in turn, would borrow from the United States Treasury.

The self-regulatory organizations—the exchanges and the National Association of Securities Dealers, Inc. (NASD)—and the SEC 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 the appointment of a trustee to carry out the liquidation. Under certain circumstances, SIPC may pay customer claims directly.

Further information about the provisions for customer account protection are contained in a booklet, "An Explanation of the Securities Investor Protection Act of 1970 as Amended through 1980," which is available in bulk from the Securities Industry Association, 20 Broad Street, New York, New York 10005, and from the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006.

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

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

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

A Message from the Chairman

A year of paradox, in 1981 a sizable increase in individual securities investors and a boost of 1,000 in SIPC membership was juxtaposed against the highest member failure rate since 1974. Of 7,200 SIPC members, 10 failed in 1981 compared with 15 customer protection proceedings initiated in 1974 when membership totaled 4,200.

Among the 10 proceedings commenced in 1981 were the largest liquidations under the Securities Investor Protection Act of 1970 (SIPA) since 1974 in terms of cost and number of customers. Because of the heavy payout thus necessitated, the SIPC Fund, exclusive of confirmed lines of credit, declined for the second time in SIPC's history. The Fund level fell from $208 million at the beginning of the year to $167 million as of December 31. Previously, the Fund had dropped from $51 million in 1972 to $39.8 million in 1973.

Largest Account Transfers

Though the new failures affected many thousands of investors, procedures authorized by the 1978 SIPA Amendments enabled SIPC to handle them rapidly and efficiently when the books and records were in good condition. In one of the largest customer account transfers from a failed broker-dealer to another SIPC member, nearly all of St. Louis based Stix & Co.'s 5,000 customers were able to trade with their new broker within 30 days of the appointment of the trustee.

Of the 18,500 customers of John Muir & Company, SIPC's second largest proceeding to date, 8,000 in New York were able to trade with a new broker ten days after the trustee's appointment. The size and complexity of this proceeding created some problems, particularly during the early weeks. It is noteworthy that by year-end, about 13,000 Muir accounts had been transferred to a total of 16 SIPC members nationwide.

Proceedings were initiated in Chicago, Los Angeles, Denver, Miami, Houston, Salt Lake City, St. Louis, Jersey City, and New York. The size of the firms ranged from a New York Stock Exchange member with over 18,000 customer accounts, to a sole proprietorship with less than 20 customers. A number of diverse factors precipitated the failures including speculation in the new issue market, bookkeeping problems, inadequate capital, mismanagement, poor supervision of subordinates, and one instance of apparent large scale fraud.

SIPC Fund Declines

The impact on the SIPC Fund of these cases goes far beyond the necessary increase in staff travel expenses to oversee and administer last year's trans-continental operations. In addition to an increase in internal administrative expenses, SIPC advanced $63.8 million to trustees in the 10 proceedings commenced during the year. This exceeds by $7.9 million the net advances made in the first ten years of SIPC's existence.

The Securities Investor Protection Act of 1970 requires that assessments based on members' securities business revenues be reimposed at not less than one quarter (¼) of one (1) percent of gross revenues whenever the SIPC Fund falls below $150 million. After the year's sharp decline of $41 million to a balance of $167 million at December 31, 1981, the SIPC Board on January 13, 1982 amended the assessment Bylaw. Prior to the amendment the Bylaw had provided, beginning in 1979, for a uniform member assessment of $25 for each calendar year. The amended Bylaw continues the $25 annual assessment but also provides for implementation of assessments based on member securities business revenues upon the Board's determination that the SIPC Fund has fallen below $150 million.

Task Force Formed

Although there are no easy remedies to the logistical and financial problems posed by liquidations of last year's magnitude, we are considering possible statutory and procedural innovations to current methods. In May, I appointed a task force comprised of New York Stock Exchange, Inc., National Association of Securities Dealers, Inc., Securities Industry Association, and SIPC representatives to consider whether—particularly in today's environment—liquidation is the proper, exclusive course of action to be taken by SIPC. Alternatives not now provided by SIPA that might be less costly, more efficient and in the customer's best interest are under review.

It is with mixed feelings that I submitted my resignation to President Reagan, effective February 28, 1982. Although I had been planning retirement, I accepted reappointment by President Carter in 1978 to complete a number of projects.

Progress During Tenure

We have made great progress on investor protection during the eight years in which I have been privileged to serve. One of my first actions upon taking office in November, 1973 was to appoint a task force to study the Act with a view toward streamlining procedures, reducing costs and increasing customer protection. The 1978 SIPA amendments that resulted enabled us to deal effectively with the large and complex proceedings of 1981. The statute is sufficiently modernized to allow the current task force the time and care to weigh carefully various alternatives.

Economy of operations has been a guiding principle throughout my tenure. During the years 1975 through 1978, for instance, SIPC's administrative expenses were reduced annually to a lower level than the previous year.

Though I regret leaving at a time when a new generation of statutory fine-tuning is under consideration, my successor will inherit a modernized statute, efficient procedures and a dedicated staff. I can confidently say SIPC will serve the industry and investing public well in the years ahead.

Hugh F. Owens

Customer Protection Proceedings

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

—Preamble to SIPA

Customer protection proceedings were initiated for ten SIPC members in 1981, bringing the total since SIPC's inception to 153 proceedings commenced under SIPA. The 153 members represent 1.1 percent of the approximately 13,500 broker-dealers that have been SIPC members during the last eleven years. Currently, SIPC has 7,176 members.

The ten new cases compare with five commenced in 1980 and an overall average of five per year during the period 1976 through 1980. During SIPC's first five years, 1971 through 1975, the number of proceedings commenced averaged 23 per year.

Trustees other than SIPC were appointed in each of the cases commenced during the year. SIPC members for which customer protection proceedings were undertaken are:

Member	Date Trustee Appointed
Dennis L. Mirus Chicago, Illinois	3/17/81
Gallagher, Boylan & Cook, Inc. Beverly Hills, California	3/17/81
The Investment Bankers, Inc. Denver, Colorado	7/15/81
First State Securities Corp. North Miami, Florida	7/24/81
Joseph Sebag Incorporated Los Angeles, California	7/27/81
John Muir & Co. New York, New York	8/16/81
M. S. Wien & Co., Inc. Jersey City, New Jersey	9/10/81
Langheinrich & Fender, Inc. Salt Lake City, Utah	9/22/81
Stix & Co., Inc. St. Louis, Missouri	11/9/81
Morton Paul Kominsky Newark, New Jersey	12/18/81

112 Proceedings Completed

Of the 153 proceedings begun under SIPA to date, 112 have been completed, 31 involve problem claims and/or litigation, and claims in 10 are being processed (See Figure 1).

During SIPC's eleven-year history, cash and securities distributed for accounts of customers aggregated approximately $400 million. Of that amount, approximately $291 million came from debtors' estates and $109 million from the SIPC Fund (See Appendix III).

Table 1 shows that the 16 debtors for which net advances from the SIPC Fund of more than $1 million have been made accounted for about two thirds of the total advanced in all 153 customer protection proceedings. The largest net advance in a single liquidation is $27 million for Stix & Co. Inc. This is about equal to the net advances in the 137 smallest proceedings.

In four proceedings SIPC advanced $62 million, or about 50 percent of net advances from the SIPC Fund for all proceedings.

Table 1
Net Advances from the SIPC Fund
As of December 31, 1981
153 Customer Protection Proceedings

Net Advances From	Net Advances To	Number of Proceedings	Amounts Advanced*
$10,000,001	up	2	$ 45,108,433
5,000,001	$10,000,000	2	17,137,792
1,000,001	5,000,000	12	28,320,297
500,001	1,000,000	16	12,289,186
250,001	500,000	22	7,623,027
100,001	250,000	43	6,998,205
50,001	100,000	35	2,440,028
25,001	50,000	12	439,796
10,001	25,000	4	59,377
-0-	10,000	5	25,158
			$120,441,299

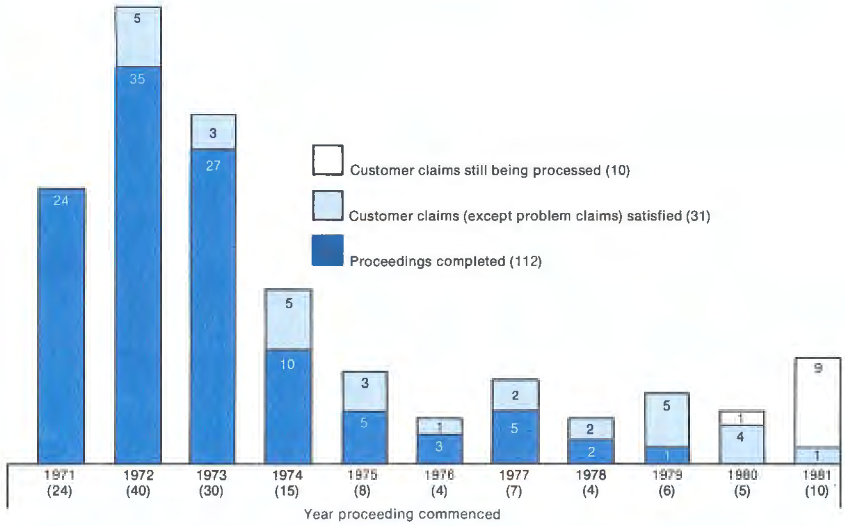
*Consists of advances for accounts of customers ($108,816,889) and for administration expenses ($11,624,410).

Claims Over The Limits

Of the more than 130,000 claims satisfied as of December 31, 1981, a total of 247 were for cash and securities whose value was greater than the limits of protection provided by SIPA.

The 247 claims reflect a net increase of five during 1981 and represent approximately two tenths of one percent of all claims satisfied. The unsatisfied portion of claims, $5.6 million, increased approximately $400,000 during 1981. These claims approximate 1.4

Figure 1
Status of Customer Protection Proceedings



percent of the total value of securities and cash distributed for accounts of customers.

Cash Balance Protection

As the range of money management products and services offered by our members widens, SIPC continues to receive inquiries regarding protection of cash balances in securities and other accounts.

Cash balances are protected under the Securities Investor Protection Act if the money was deposited or left in a securities account for the purpose of purchasing securities. This is true whether or not the broker pays interest on the cash balances. Of course, cash balances maintained solely for the purpose of earning interest are not protected.

SIPC presumes that cash balances are left in securities accounts for the purpose of purchasing securities. It would require substantial evidence to the contrary to overcome this presumption. Standing alone, the fact that a cash balance was earning interest and was not used to purchase securities for a considerable period of time, say four or five months, would not be sufficient to overcome the presumption.

Figure 2
Location of Customer Protection Proceedings
1971-1981

Membership and the SIPC Fund

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

—SIPA, Sec. 4(c)(2)

The net increase of 709 members during the year brought the total membership to 7,176 at December 31, 1981. Table II shows the members' affiliation for purposes of assessment collection, as well as the year's changes therein.

Table II
SIPC Membership
Year Ended December 31, 1981

Agents for Collection of SIPC Assessments	Added(a)	Terminated(a)	Total
National Association of Securities Dealers, Inc.	99	51	2,482
Chicago Board Options Exchange Incorporated	137	49	1,572
SIPC(b)	1,082	559	1,509
New York Stock Exchange, Inc.	49	26	854
American Stock Exchange, Inc.	47	45	387
Pacific Stock Exchange, Inc.	20	3	164
Philadelphia Stock Exchange, Inc.	24	8	117
Midwest Stock Exchange, Inc.	6	8	66
Boston Stock Exchange, Inc.	1	2	21
Spokane Stock Exchange	—	—	4
	1,465	751	7,176

Notes:

a. Excluding transfers (1,509) of members to successor collection agents.

b. SIPC is the collection agent and the SEC is the examining authority for brokers and dealers that are not members of any self-regulatory organization. The additions in this category reflect the temporary status of many broker-dealers between the date of their registrations under Section 15(b) of the 1934 Act and their becoming members of a securities exchange or association. The large number of terminations reflect the temporary status after broker-dealers terminate their memberships in these self-regulatory organizations and before their withdrawal of registrations as broker-dealers.

Delinquencies

Members who are delinquent in paying assessments receive notices pursuant to SIPA Section 14(a).[1] As of December 31, 1981, there were 327 members who were subjects of uncured notices, 197 of which were mailed during 1981 (23 in December), 63 during 1980 and 67 during the years 1972 through 1979. SIPC has been advised by the SEC staff that: (a) 69 of these members are no longer engaged in the securities business and cancellations of their registrations have been recommended; (b) registrations of 51 have either been cancelled or they are being withdrawn; (c) 33 have subsequently paid the delinquencies; (d) 16 are either to be recommended for administrative proceedings or otherwise resolved; and (e) 158 are being contacted by its regional offices or the affected examining authorities.

SIPC Fund

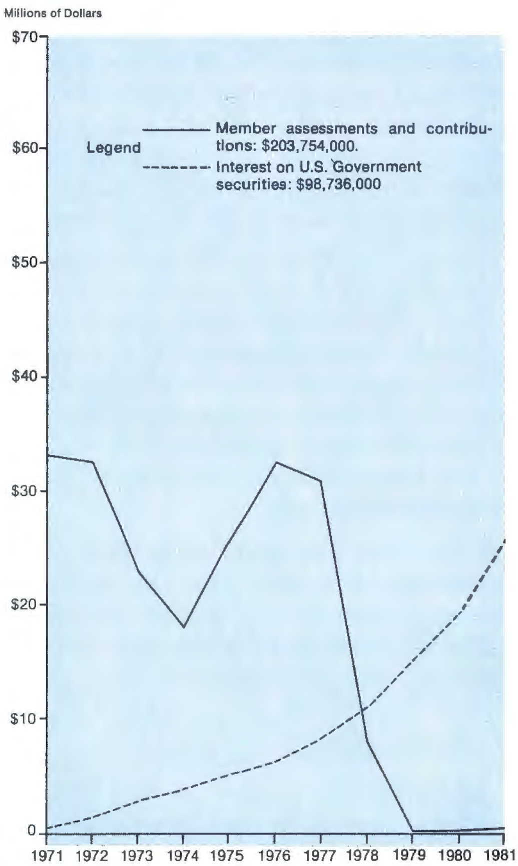
The SIPC Fund, consisting of the aggregate of cash and investments in United States Government securities, amounted to $167 million at year end, a decrease of $41 million during the year. Tables III and IV present principal revenues and expenses for the years 1971 through 1981.

Interest from investments was $24 million in 1981, the fourth consecutive year that it was the principal source of revenues. The 1981 member assessments of $260,000, including $80,000 of prior years' underpayments, were based on a uniform annual assessment of $25 that has been in effect since 1979. During the period 1971 through 1977, member assessments were the principal source of revenues and were based on a percentage of each member's gross revenue from the securities business.

For 1981, expenses of $71,629,000 consisted of customer protection proceedings costs of $69,931,000 and administrative expenses of $1,698,000.

[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 III
SIPC Revenues for the Eleven Years Ended December 31, 1981

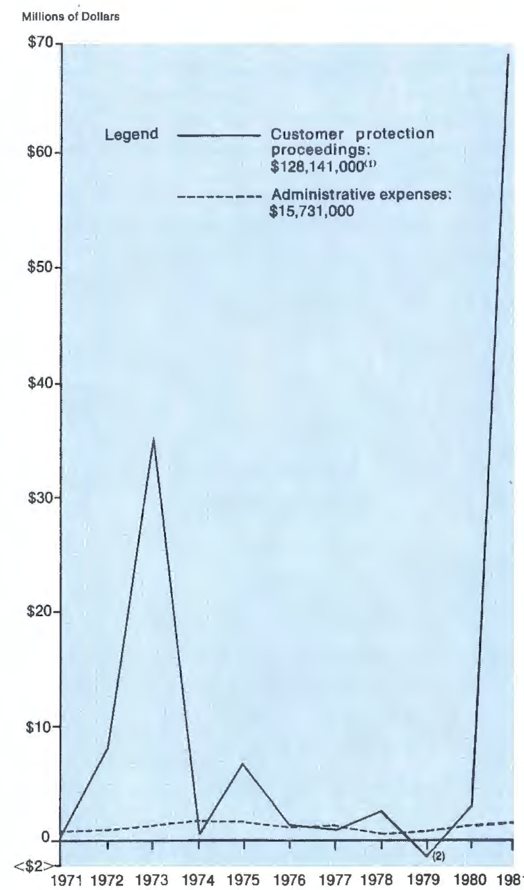


Member Assessments

1971: ½ of 1%* plus an initial assessment of ⅛ of 1%* of 1969 revenues. $150 minimum.
1972-1977: ½ of 1%*
January 1-June 30,1978: ¼ of 1%
1979-1981: $25 uniform annual assessment

*Rates based on each member's gross revenues from the securities business.

Table IV
SIPC Expenses for the Eleven Years Ended December 31, 1981



(1) Includes net advances of $120,441,000 and $7,700,000 of estimated costs net of estimated recoveries.
(2) Net recoveries.

Special Task Force Formed

Insights gained during the liquidation proceedings commenced since the 1978 SIPA amendments, a noticeable increase in securities industry concentration in recent years, and other considerations led SIPC Chairman Hugh F. Owens to create a joint SIPC-industry Task Force to develop recommendations for possible procedural and/or statutory changes that will provide more efficient and less costly methodologies for protecting securities customers under SIPA.

The Task Force is considering possible remedies to SIPC's lack of legal alternative to immediately closing and liquidating a financially troubled member broker-dealer. The Securities and Exchange Commission supported studying an expansion of SIPC's authority in this area. SIPC's Board of Directors voted unanimously to approve the formation of a special Task Force to explore the feasibility of alternatives to the immediate liquidation of failing members.

As of December 31, 1981, the Task Force neared the conclusion of deliberations and its final recommendations are expected in late Spring of 1982. The Task Force is comprised of the following members:

Robert M. Bishop
Senior Vice President
New York Stock Exchange, Inc.

Floyd E. Brandow, Jr., Esquire
Milbank, Tweed, Hadley & McCloy

Robert M. Flanagan
Executive Vice President
Dean Witter Reynolds Inc.

Theodore H. Focht
General Counsel
SIPC

Lloyd W. McChesney
Vice President-Finance
SIPC

John T. Wall
Executive Vice President
National Association of Securities Dealers, Inc.

Frank J. Wilson
Executive Vice President and General Counsel
National Association of Securities Dealers, Inc.

Assessment Bylaw Revised

On January 13, 1982, the SIPC Board of Directors passed the following resolution amending article 6 of the SIPC Bylaws governing membership assessments:

WHEREAS, Section 4(d)(1)(B) of SIPA requires that this corporation impose an assessment on its membership in such a manner that the aggregate assessments payable by its members shall not be less than ¼ of 1% per annum of the aggregate gross revenues from the securities business for such members during any time that the SIPC Fund (exclusive of confirmed lines of credit) aggregates less than $150,000,000 (or such other amount as the Securities and Exchange Commission may determine pursuant to the provisions of the Act): now be it resolved that SIPC's bylaws with respect to assessments be amended as follows in order to comply with this statutory requirement:

ARTICLE 6
Assessments

Section 1. *General*

(a) *Amount of Assessment.*

(1) At any time that SIPC determines that the balance of the SIPC fund (exclusive of confirmed lines of credit) as defined in Section 4(a)(2) of the Act shall aggregate less than $150,000,000 (or such other amount as the Commission has determined pursuant to the Act), the amount of each member's assessment shall be ¼ of one percent of such member's gross revenues from the securities business (with a minimum assessment of $25.00 for each calendar year or part thereof) commencing on the first day of the month following the date on which SIPC announces its determination that the SIPC fund has reached such level and continuing until such time as the Board provides otherwise.

(2) During any calendar year when the assessment rate set forth in (a)(1) above has not been in effect, the amount of each member's assessment shall be $25.00 for each calendar year or part thereof.

(b) *Payments.* Assessments shall be payable at such times and in such manner as may be determined by SIPC's Vice President-Finance with the approval of the Chairman.

(c) *Collection of General Assessments.* Each member of the Corporation who is a member of a self-regulatory organization shall pay assessments to its collection agent. In the case of members who are not members of any self-regulatory organization, assessments shall be paid directly to the Corporation.

(d) *Report of Collection Agents.* Within 45 days after each due date, each self-regulatory organization which is the collection agent shall submit a written report to the Corporation as to any person for which it acts as collection agent whose filing or assessment payment has not been received.

(e) *Interest on Assessments.* If all or any part of an assessment payable under Section 4 of the Act has not been received by the collection agent within 15 days after the due date thereof, the member shall pay, in addition to the amount of the assessment, interest at the rate of 20% per annum on the unpaid portion of the assessment for each day it has been overdue. If any broker or dealer has incorrectly filed a claim for exclusion from membership in the Corporation, such broker or dealer shall pay, in addition to assessments due, interest at the rate of 20% per annum on the unpaid assessment for each day it has not been paid since the date on which it should have been paid.

(f) *Gross Revenues.* The term "gross revenues from the securities business" as set forth in the applicable sections of the Act includes those clarifications as are set forth in the SIPC assessment forms and instructions thereto.

Section 2. *Overpayments.*

If the final annual reconciliation filed by a terminated member reflects an assessment overpayment carried forward that exceeds $25.00, SIPC may refund such excess to the member upon receipt of the member's written request therefor and after the member's SIPC collection agent has confirmed to SIPC that all of the member's assessment form filings and payments and reports required by SEC Rule 17a-5 covering periods through the termination date have been reviewed and accepted.

Section 3. *Interpretation of Terms.*

For purposes of this article:

(a) The term "securities in trading accounts" shall mean securities held for sale in the ordinary course of business and not identified as having been held for investment.

(b) The term "securities in investment accounts" shall mean securities that are clearly identified as having been acquired for investment in accordance with provisions of the Internal Revenue Code applicable to dealers in securities.

(c) The term "fees and other income from such other categories of the securities business" shall mean all revenue related either directly or indirectly to the securities business except revenue included in Section 16(9)(A)-(K) and revenue specifically excepted in Section 4(c)(3)(C).

Litigation

During 1981, SIPC was actively involved in litigation at the trial and appellate levels of the federal judicial system. In addition, SIPC was a party to one significant lawsuit before the courts of New York State. The more important court decisions of the year are summarized below.

In *Allen Mansfield v. SIPC,* ______ U.S. ______, 102 S. Ct. 395 (1981), the Supreme Court refused to review a determination by the United States Court of Appeals for the Ninth Circuit that the United States was not a party to a dispute between the SIPC trustee for Pacific Western Securities, Inc. and a creditor of Pacific Western. The trial court had denied the creditor's claims and had held the creditor liable to the trustee on a $100,000 preferential transfer. The creditor had sought to file a notice of appeal after the normal 30-day time period, but within the 60-day period allowed when a federal agency is a party. The Ninth Circuit rejected the creditor's arguments that SIPC was a federal agency and that the Securities and Exchange Commission, which had not participated in the litigation or in the liquidation proceeding, was a party.

In *SIPC v. Georgeson,* CA 76-01061 (D.C. Cir. 1981), the court of appeals affirmed a district court decision concerning the status of a broker-dealer as a member of SIPC. Georgeson, which had been a registered broker-dealer, claimed it was not required to be a SIPC member because it did "no business as a broker-dealer." The court held that Georgeson had in fact conducted business pursuant to its broker-dealer registration and, therefore, was liable for $80,000 in assessments plus interest.

In the case of *In re Investors Securities Corporation, Ravis v. Slagle,* 81-1872 (3rd Cir. 1981) the court of appeals affirmed a district court ruling which held that persons who had not submitted their claim against the debtor within six months after the first date set for the first meeting of creditors in the case were barred from doing so. The claimants argued that they had never received notice of the liquidation of the debtor, since they neither subscribed to the paper in which the notice was published, nor received the notice the trustee had mailed to them. The court noted that the president and principal shareholder of the debtor had fraudulently concealed the very existence of the liquidation proceedings from the claimants. Nevertheless, the court held that, since the six-month time period was "equity-proof," the claim had not been timely filed.

In *SIPC v. Ambassador Church Finance/Development Group, Inc.,* 74-471, (M.D. Tenn. Jan. 9, 1981), the court held that an issuer of securities, which had used the debtor firm as its underwriter and investment banker for a new bond issue, was a "customer" of the debtor, where the debtor failed to forward the proceeds of the sale of the newly issued securities to the issuer. SIPC has appealed that determination to the United States Court of Appeals for the Sixth Circuit, asserting that such an issuer of securities was not engaged in investment or trading activity as a customer, but rather was seeking to raise funds *from* investors and traders. The appeal is pending.

In *SIPC v. Monterey Securities Corporation,* 80-4042 (Bankruptcy Ct. N.D. Cal. 1981), three claimants were denied "customer" status on the grounds that the claimants were, in fact, persons who lent money to the debtor firm rather than persons who purchased securities from the debtor firm. The claimants gave funds to the debtor and were given confirmation slips indicating they had *purchased* securities at a stated price. Simultaneously, the claimants were also given confirmation slips indicating they had *sold* those same securities at a higher price. Two of the claimants had also received promissory notes from the debtor for the funds. The court held that the transactions were essentially loans to the debtor rather than bona-fide securities transactions of "customers."

In *SIPC v. Memme & Co., Inc.,* 73 Civ. 3438 (S.D.N.Y. 1981), the district court affirmed a bankruptcy court decision which dismissed contested claims against the debtor firm because of the claimants' continued failures to cooperate in pretrial discovery procedures. The claimants, without documented excuses, had repeatedly failed to attend depositions and had ignored a judicially mandated deposition date which had been set during a conference attended by the parties. The court found the claimants' conduct constituted bad faith and willful behavior sufficient to warrant dismissal of the claims.

In *Redington v. Touche, Ross & Co.,* 13996/76, (S.Ct N.Y.Co. 1981), the trustee for Weis Securities, Inc. (the debtor) and SIPC sued the debtor's accounting firm in state court on a number of theories. The defendant accounting firm moved to dismiss the complaint. The court held that SIPC was subrogated to the claims of the customers it had paid in the Weis liquidation and that SIPC could therefore assert those claims against Touche, Ross & Co. In addition, the court refused to dismiss SIPC's causes of action even though there had been no contractual relationship between SIPC and Touche, Ross & Co. Pretrial discovery is continuing in the case.

Disciplinary and Criminal Actions

"Congress enacted SIPA to . . . restore confidence in the capital markets, and upgrade the financial responsibility requirements for registered brokers and dealers. The Act apportions responsibility for these tasks among the SEC, the securities industry self-regulatory organizations and the SIPC . . ."

—*Supreme Court Justice Thurgood Marshall*
*May 19, 1975**

SIPC routinely forwards to the Securities and Exchange Commission, for possible action under Section 10(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 and SIPC personnel appointed to administer customer protection proceedings cooperate with the SEC and with law enforcement authorities in their investigations of possible violations of law.

As a result of SEC and self-regulatory action in 1981, nine persons associated with members subject to SIPC proceedings were barred from association with any broker or dealer.

Criminal and Administrative Actions

Criminal action has been initiated in 55 of the 153 SIPC proceedings commenced since enactment of the Securities Investor Protection Act in December, 1970. A total of 146 indictments have been returned in federal or state courts, resulting in 117 convictions to date. As of December 31, 1981, trial or sentencing was pending against 23 persons who had been indicted or convicted.

*SIPC v. Barbour, 421 U.S. 412 (1975) P. 415

Administrative and/or criminal action in 136 of the 153 SIPC customer protection proceedings initiated through December 31, 1981, was accomplished as follows:

Action Initiated	Number of Proceedings
1. Joint SEC/Self-Regulatory Administrative Action	37
2. Exclusive SEC Administrative Action	22
3. Exclusive Self-Regulatory Administrative Action	22
4. Criminal and Administrative Action	47
5. Criminal Action Only	8
Total	136

In the 128 customer protection proceedings in which administrative action has been effected, the following sanctions have been imposed against associated persons:

	SEC	Self-Regulatory Organizations
Notice of Suspension[1]	73	54
Bar from Association	252	151
Fines	Not Applicable	$346,500

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

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

The $346,500 in fines assessed by self-regulatory authorities were levied against 40 associated persons and ranged from $250 to $50,000.

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

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 NASD 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

SIPC maintained active files on 29 member firms referred under Section 5(a) during calendar year 1981. Twenty-three new referrals were received during the year and six active referrals had been carried forward from prior years. Nine of the 29 remained on active referral at year-end.

In addition to the formal referral of members under Section 5(a), SIPC received periodic reports from the SEC and 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.

Administration

Board of Directors

The Secretary of the Treasury appointed the Honorable Roger W. Mehle, Assistant Secretary for Domestic Finance, to the SIPC Board of Directors. Mr. Mehle, a graduate of the U.S. Naval Academy and former officer in the Naval Nuclear Power Program, earned an M.B.A. from New York University and a J.D. from Fordham University. A former member of the Securities Industry Association Board of Directors and Executive Committee, Mr. Mehle has had a number of senior investment banking positions with The First Boston Corporation and Dean Witter Reynolds, Inc.

During the year, Michael A. Taylor resigned his membership on the SIPC Board as a representative of the securities industry. Mr. Taylor, formerly Senior Vice President, Paine Webber, Jackson & Curtis, Incorporated, is currently President & Chief Executive Officer of Albert Frank/FCB, an advertising agency serving the financial community.

Public Information Program

SIPC continued the 1979-80 public awareness campaign comprised primarily of regional speaking/media tours. Chairman Hugh F. Owens delivered speeches before leading business and civic clubs in 14 cities, garnering metropolitan newspaper coverage and appearances on television news and public affairs programs.

National coverage included a *U.S. News & World Report* item that produced over one thousand requests for further information, a *Wall Street Journal* feature, and profiles of SIPC in *Money Magazine* and Kiplinger's *Changing Times* magazine. Nationally syndicated columnist Sylvia Porter released, "Investing? SIPC is Your Best Friend," which appeared in 126 newspapers with a combined circulation of 8.6 million.

The following regional newspapers published features on SIPC during the period: *New Orleans Times-Picayune; Buffalo Courier-Express; San Antonio Light; San Antonio Express; Newark Star-Ledger; New Haven Register; Omaha World-Herald; Des Moines Register; Little Rock Arkansas Democrat; Little Rock Arkansas Gazette; Indianapolis News; Indianapolis Star; San Jose Mercury; and The Sacramento Bee.*

Financial Statements

Accountants' Report

Board of Directors
Securities Investor Protection Corporation
Washington, D.C.

We have examined the statement of financial condition of Securities Investor Protection Corporation as of December 31, 1981, and the related statements of operations and fund balance and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Securities Investor Protection Corporation at December 31, 1981, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & WHINNEY

New York, N.Y.
February 26, 1982

Securities Investor Protection Corporation
Statement of Financial Condition
December 31, 1981

ASSETS

Cash	$ 1,640,652
U.S. Government securities, at amortized cost and accrued interest receivable ($4,201,887); (approximate market $163,928,000)	165,090,220
Advances to trustees for customer protection proceedings in progress, less allowance for possible losses ($81,349,332) (Note 5)	11,700,000
Other	44,121
	$178,474,993

LIABILITIES AND FUND BALANCE

Advances to trustees—in process (Note 5)	$ 249,500
Accounts payable and accrued expenses	117,337
Estimated costs to complete customer protection proceedings in progress (Note 5)	19,400,000
	19,766,837
Commitment (Note 4)	
Fund balance	158,708,156
	$178,474,993

Statement of Operations and Fund Balance
for the year ended December 31, 1981

Revenues:	
Interest on U.S. Government securities	$ 24,008,928
Member assessments, net of refunds of prior years' overpayments ($2,474) (Note 3)	259,506
	24,268,434
Expenses:	
Administrative:	
Salaries and employee benefits (Note 6)	1,113,512
Legal and accounting fees	26,071
Rent (Note 4)	158,394
Other	298,394
	1,596,371
Public information program consultant's fees	101,411
	1,697,782
Provision for estimated costs to complete customer protection proceedings (Note 5)	69,930,785
	71,628,567
Excess expenses	(47,360,133)
Fund balance, beginning of year	206,068,289
Fund balance, end of year	$158,708,156

See notes to financial statements.

Statement of Changes in Financial Position
for the year ended December 31, 1981

Cash provided from (used in) operations:	
Provided:	
Interest on U.S. Government securities	$24,366,166
Member assessments	259,506
	24,625,672
Used:	
Administrative expenses	(1,664,791)
Advances to:	
Trustees other than SIPC, net of recoveries ($1,139,804)	(64,219,751)
SIPC as Trustee, net of recoveries ($25,380)	(78,953)
	(65,963,495)
	(41,337,823)
Other sources (uses) of cash:	
Sales of U.S. Government securities, net	42,888,289
Miscellaneous	(561)
Increase in cash	1,549,905
Cash, beginning of year	90,747
Cash, end of year	$ 1,640,652

See notes to financial statements.

Notes to Financial Statements

1. Organization

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 and all persons who are members of a national securities exchange except for those persons excluded under SIPA.

2. The "SIPC Fund"

The "SIPC Fund," as defined by SIPA, consists of cash and U.S. Government securities aggregating $166,730,872.

In the event the SIPC Fund is or may reasonably appear to be insufficient for the purposes of SIPA, the Securities and Exchange Commission is authorized to make loans to SIPC and, in that connection, the Commission is authorized to issue notes or other obligations to the Secretary of the Treasury in an aggregate amount not to exceed $1,000,000,000.

3. Member assessments

Each member's assessment for 1981 is $25. The SIPA requires the imposition of a ¼ of 1 percent assessment of each member's gross revenues from the securities business during any period when the SIPC Fund is less than $150,000,000. Assessment revenues include collections of $80,000 of prior years' underpayments when assessments were based on members' gross revenues.

4. Commitment

SIPC occupies office space under a lease expiring December 31, 1987 and renewable for five years. Future minimum annual rentals, $288,838 for 1982 through 1987, aggregate $1,733,028. Additional rental based on increases, over 1981 levels, in operating expenses and real estate taxes; as well as increases, over the December 31, 1982 level, in the Consumer Price Index are required by the lease. Rent expense for 1981 totalled $158,394.

5. Customer protection proceedings

Customer protection proceedings (proceedings) include liquidations conducted by court appointed trustees and direct payment proceedings conducted by

SIPC. There are 40 liquidations and one direct payment proceeding in progress at December 31, 1981. Customer claims, except problem claims, have been satisfied in 31 of these proceedings and in 10 proceedings customer claims are still being processed.

Advances to trustees represent net amounts disbursed and amounts currently payable for proceedings in progress, less an allowance for possible losses.

Estimated costs to complete proceedings are accrued based upon the costs of completed cases of comparable size and complexity and other costs that can be reasonably estimated. Future recoveries are estimated based upon the expected disposition of the debtors' estates.

The following table summarizes transactions during the year that result from these proceedings:

	Customer Protection Proceedings	
	Advances to trustees, less allowance for possible losses	Estimated costs to complete
Balance, beginning of year	$ 1,700,000	($ 4,000,000)
Add:		
Estimated future recoveries of advances	10,000,000	
Provision for estimated costs to complete proceedings		(69,930,785)
Less:		
Advances to trustees, net of estimated future recoveries ($10,000,000) and recoveries not previously estimated ($1,165,184)		54,530,785
Balance, end of year	$11,700,000	($19,400,000)

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

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.

6. Retirement Plan

SIPC has a non-contributory retirement plan covering all employees. SIPC's policy is to fund retirement expenses accrued. Retirement expense, $95,000 for 1981, is actuarially determined using the projected benefit method.

As of July 1, 1981, the most recent actuarial valuation date, the market value of plan assets was $1,025,458, and the present value of accumulated plan benefits based on an assumed interest rate of 9.5 percent per annum, calculated in accordance with Statement No. 36 of the Financial Accounting Standards Board, was as follows:

Vested:	
Retired member and survivors currently receiving payments	$ 90,087
Other members	467,147
	557,234
Non-vested	50,130
	$607,364

APPENDIX I

Customer Protection Proceedings

PART A: Customer Claims and Distributions Being Processed

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[a] To Whom Notices and Claim Forms Were Mailed	Responses[a] Received
Yasin Jaffer, Chicago, Illinois (SIPC)	1/13/78	2/28/80	8/28/80	255	16
Dennis Lee Mirus, Lake Forest, Illinois (Robert D. Glick, Esq.)	1/11/79	10/10/80	3/17/81	19	15
The Investment Bankers, Inc., Denver, Colorado (James H. Turner, Esq.)	10/23/80	7/10/81	7/15/81	2,500	1,903
First State Securities Corp., North Miami, Florida (John L. Britton, Esq.)	6/19/75	7/24/81	7/24/81	3,064	875
Joseph Sebag, Incorporated, Los Angeles, California (Eugene W. Bell, Esq.)	3/ 7/68	7/27/81	7/27/81	8,000	4,307
John Muir & Co., New York, New York (Harvey R. Miller, Esq.)	10/28/37	8/16/81	8/16/81	54,500	10,000 (Estimated)
M. S. Wien & Co., Inc., Jersey City, New Jersey (Michael R. Griffinger, Esq.)	11/15/74	9/10/81	9/10/81	45,000	9,186
Langheinrich & Fender, Inc., Salt Lake City, Utah (Herschel J. Saperstein, Esq.)	2/ 2/78	9/14/81	9/22/81	4,330	2,714
Stix & Co., Inc., St. Louis, Missouri (Harry O. Moline, Jr., Esq.)	3/12/70	11/ 5/81	11/ 9/81	4,300	3,000 (Estimated)
Morton Paul Kominsky, North Bergen, New Jersey (Richard D. Shapiro, Esq.)	2/13/70	12/18/81	12/18/81		
TOTAL 10 MEMBERS: PART A				121,968	32,016

December 31, 1981

Distributions From Debtors' Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
		$ 2,077	$ 2,077				
		2,500	2,500				
$ 2,128,941	883	4,819,827	123,576		$ 122	$ 4,696,129	1,115
		206,924	10,000	$ 47,317		149,607	140
15,245,632	2,417	9,948,419	20,000		4,382,320	5,546,099	1,151
13,340,946	10,000 (Estimated)	18,225,000	225,000		18,000,000		10,000 (Estimated)
2,021,725	2,053	103,912	50,000			53,912	87
		344,318	61,915		84,755	197,648	208
		26,883,433			16,703,617	10,179,816	3,000 (Estimated)
$ 32,737,244	15,353	$60,536,410	$ 495,068	$ 47,317	$39,170,814	$20,823,211	15,701

APPENDIX I

Customer Protection Proceedings

PART B: Customer Claims (Except Problem Claims) Have Been Satisfied

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[a] To Whom Notices and Claim Forms Were Mailed	Responses[a] Received
JNT Investors, Inc., New York, New York (Jerry B. Klein)	6/17/70	2/15/72	2/15/72	1,572	938
C. H. Wagner & Co., Inc., Boston, Massachusetts (Thomas J. Carens, Esq.)	6/23/69	2/22/72	2/28/72	14,000	839
Equitable Equities, Inc., New York, New York (Robert E. Smith, Esq.)	2/ 4/70	10/13/72	10/13/72 2/15/78*	134	69
Havener Securities Corp., New York, New York (Ezra G. Levin, Esq.)	11/13/59	10/13/72	10/24/72	900	533
C. I. Oren & Co., Inc., New York, New York (Martin R. Gold, Esq.)	11/10/68	10/13/72	10/26/72	345	61
Custodian Security Brokerage Corp., New York, New York (Lyonel E. Zunz, Esq.)	4/25/71	3/ 6/73	3/ 7/73	673	67
Pacific Western Securities, Inc., Los Angeles, California (Edwin M. Lamb)	8/ 7/66	3/26/73	3/28/73	3,023	521

*Successor Trustee

Distributions From Debtors' Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
$ 1,956,641	927	$ 374,235	$ 140,433	$ 19,863	$ 22,994	$ 190,945	146
54,889	8	1,140,300	69,312	9,887	72,846	988,255	253
131,585	45	107,132	26,667	27,604	16,034	36,827	33
814,261	491	443,066	229,083	24,044	16,368	173,571	233
1,800	1	346,109	209,904	59,071	33,710	43,424	45
1,219	3	134,272	81,633		29,928	22,711	17
360,006	276	1,558,458	435,943	18,163	980,074	124,278	361

APPENDIX I

Customer Protection Proceedings

PART B: Customer Claims (Except Problem Claims) Have Been Satisfied

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[a] To Whom Notices and Claim Forms Were Mailed	Responses[a] Received
Weis Securities, Inc., New York, New York (James W. Giddens, Esq.)	8/ 1/65	5/24/73	5/30/73 7/28/80*	55,026	34,000
†In the administration of the estate, advances to pay customers' free credit balances or cash in lieu of securities were not separately identified.					
Memme & Co., Inc., New York, New York (Edward Farman, Esq.)	8/ 6/65	8/ 6/73	4/15/74	300	29
Christian-Paine & Co., Inc. Carlton Cambridge & Co., Inc. Hasbrouck Heights, New Jersey (Irwin Weinberg, Esq.)	6/24/70 7/21/68	4/10/74	4/18/74	17,500	7,884
Llorens Associates, Inc., New York, New York (Lloyd Frank, Esq.)	4/ 1/70	6/18/74	7/ 1/74	548	93
Financial House, Inc., Detroit, Michigan (David Robb, Esq.)	3/ 9/55	9/17/74	9/18/74	1,958	708
Henry C. Atkeison, Jr., d/b/a Ambassador Church Finance Development Group, Inc.; d/b/a Atalbe Christian Credit Association, Inc., Brentwood, Tennessee (Fred D. Bryan)	4/18/70	11/ 7/74	12/17/74	531	115
Executive Securities Corp., New York, New York (Cameron F. MacRae III, Esq.)	11/ 8/67	2/14/75	2/14/75	8,740	2,757
G. H. Sheppard & Co., Inc., New York, New York (Jerome M. Selvers, Esq.)	4/ 4/73	3/ 4/75	3/25/75	175	27
Investors Security Corp., Monroeville, Pennsylvania (Thomas P. Ravis, Esq.)	5/ 8/66	9/15/75	9/15/75	4,300	244

*Successor Trustee

Distributions From Debtors' Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
$182,625,657	32,000 (Estimated)	$ 7,189,373			$ 7,189,373†		31,500 (Estimated)
70	6	83,056	$ 51,753	$ 7,562	4,300	$ 19,441	14
776,386	12,572	3,530,886	1,224,504	3,125	2,044,056	259,201	6,571
31,174	40	130,579	74,337	214	17,823	38,205	30
431,422	226	963,403	277,888	37	568,250	117,228	284
6,860	11	89,917	65,507		22,243	2,167	17
2,271,501	1,219	2,121,009	25,531	30,535	1,449,655	615,288	1,341
11,071	6	154,456	60,436	8,950	26,866	58,204	15
800	1	538,021	206,916		165,857	165,248	21

APPENDIX I

Customer Protection Proceedings

PART B: Customer Claims (Except Problem Claims) Have Been Satisfied

Member and Trustee By Date of Appointment	Date Regis-tered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[a] To Whom Notices and Claim Forms Were Mailed	Responses[a] Received
Institutional Securities of Colorado, Inc., Denver, Colorado (Ralph M. Clark, Esq.)	4/27/71	9/29/76	10/ 4/76	9,000	1,780
Swift, Henke & Co., Inc., Chicago, Illinois (J. William Holland, Esq.)	5/30/65	3/14/77	3/15/77	1,350	186
I.E.S. Management Group, Inc., Irvington, New Jersey (Michael R. Griffinger, Esq.)	6/17/70	6/ 9/77	9/27/77	3,600	1,682
Douglas F. Brown Financial Services, Inc., Longview, Washington (James E. Newton, Esq.)	7/15/77	6/14/78	7/18/78	419	38
Paul Kendrick & Co., Inc., San Francisco, California (SIPC)	9/ 8/71	4/10/79	4/17/79	132	9
Francis Eugene Mooney, Jr., d/b/a Bach Planning Co., Knoxville, Tennessee (SIPC)	8/ 5/69	5/25/77	5/23/79	188	23
Link-Up + 1 Securities, Inc., Denver, Colorado (SIPC)	12/22/78	5/17/79	8/ 9/79	117	25
Hamilton/Cooke & Co. of Florida, Inc., Miami, Florida (SIPC)	4/10/78	9/25/79	10/ 2/79	946	244
P. J. Kisch & Co., Inc., Minneapolis, Minnesota (SIPC)	6/15/78	11/ 5/79	11/ 9/79	1,407	769
Simpson, Emergy & Company, Inc., Pittsburgh, Pennsylvania (Carl F. Barger, Esq.)	2/ 2/54	3/ 3/80	3/ 3/80	3,500	616
Perry, Adams & Lewis Securities, Inc., Kansas City, Missouri (George H. Clay, Esq.)	12/ 4/75	4/ 2/80	4/11/80	259	18
Mister Discount-Stockbrokers, Inc., Chicago, Illinois (Robert E. Ginsberg, Esq.)	7/15/77	6/ 3/80	6/ 4/80	2,800	550
Monterey Securities Corporation, San Francisco, California (SIPC)	3/ 2/79	10/24/80	11/ 4/80	57	27
Gallagher, Boylan & Cook, Inc., Beverly Hills, California (Jeffrey Chanin, Esq.)	11/ 3/67	3/17/81	3/17/81	3,000	1,363
TOTAL 30 MEMBERS: PART B				136,500	56,215

PART C: Direct Payment Proceeding

Customer Claims (Except Problem Claims) Have Been Satisfied

Benchmark Securities, Inc. Los Angeles, California	5/31/67	9/22/78	9/22/78*	1,500	41
TOTAL 1 MEMBER: PART C				1,500	41

*Date Notice Published

Distributions From Debtors' Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
$ 2,984,334	911	$ 284,060			$ 181,104	$ 102,956	484
2,205,952	88	690,790		$ 331	290,618	399,841	106
		4,775,373	$ 520,386			4,254,987	386
		235,538	43,712		580	191,246	20
90,153	1	49,703	1,268			48,435	3
		261,521	346		75,525	185,650	15
660	1	175,332	11,830		114,962	48,540	18
991,271	204	1,549,035			1,159,816	389,219	102
1,581,316	697	182,023	4,964		91,700	85,359	92
4,440,189	493	974,842	45,302	1,719	415,663	512,158	300
		893,929	297,639		570,123	26,167	13
1,700,000	550	202,312	52,312		150,000		550
		65,700	500		26,625	38,575	12
3,000,000 (Estimated)	1,363	3,268,493	242,493		3,026,000		1,363
$206,469,217	52,140	$32,512,923	$4,400,599	$211,105	$18,763,093	$ 9,138,126	44,345
		$ 79,791	$ 2,648			$ 77,143	9
		$ 79,791	$ 2,648			$ 77,143	9

APPENDIX I

Customer Protection Proceedings

PART D: Proceedings Completed in 1981

Member and Trustee By Date of Appointment	Trustee Appointed	Number of Customers For Whom Trustees Have Distributed Securities and Cash	Total
Provident Securities, Inc., New York, New York (Harvey R. Miller, Esq.)	2/ 2/73 9/10/75*	888	$ 293,994
Parker-Jackson & Co., Inc., Salt Lake City, Utah (Herschel J. Saperstein, Esq.)	2/14/74	663	165,682
Universal Underwriting Service, Inc., Salt Lake City, Utah (Herschel J. Saperstein, Esq.)	12/26/74	745	267,643
Stilwell, Coker & Co., Inc., Charleston, South Carolina (Norman W. Stevenson, Esq.)	12/16/76	60	376,099
James A. Finan & Co., Inc., Jersey City, New Jersey (Bruce I. Goldstein, Esq.)	11/ 2/77	4	
TOTAL 5 MEMBERS 1981		2,360	1,103,418
TOTAL 107 MEMBERS 1973-1980 [b]		48,231	60,832,515
TOTAL 112 MEMBERS 1973-1981		50,591	$61,935,933

*Successor trustee

PART E: Summary

	Responses Received/ Customers Receiving Distributions	
Part A: 10 Members—Customer Claims and Distributions Being Processed by Trustees	32,016	$ 32,737,244
Part B: 30 Members—Customer Claims (Except Problem Claims) Have Been Satisfied	56,215	206,469,217
Part C: 1 Member—Direct Payment Proceeding—Customer Claims (Except Problem Claims) Have Been Satisfied	41	
Sub-Total	88,272	239,206,461
Part D: 112 Members—Proceedings Completed	50,591[c]	61,935,933
TOTAL	138,863	$301,142,394

Notes:

[a] Notices and claim forms are commonly sent to all persons who, from the debtor's records, may have been customers. This is done so that potential claimants may be advised of the proceeding.

[b] Revised from previous reports to reflect subsequent recoveries, disbursements and adjustments.

[c] Number of customers receiving securities and/or cash.

[d] To be reported at completion of liquidation.

Distributions From Debtors' Estates		SIPC Advances				
For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 191,543	$ 102,451	$ 1,187,115	$ 481,541		$ 307,957	$ 397,617
42,899	122,783	52,387	819	$ 963	26,929	23,676
160,613	107,030	54,295	40		18,302	35,953
278,983	97,116	179,390			150,034	29,356
		120,086	26,586		75,800	17,700
674,038	429,380	1,593,273	508,986	963	579,022	504,302
51,390,102	9,442,413	25,718,902	6,217,109	820,329	10,892,189	7,789,275
$52,064,140	$9,871,793	$27,312,175	$6,726,095	$821,292	$11,471,211	$8,293,577
$ 32,737,244	(d)	$ 60,536,410	$ 495,068	$ 47,317	$39,170,814	$20,823,211
206,469,217	(d)	32,512,923	4,400,599	211,105	18,763,093	9,138,126
		79,791	2,648			77,143
239,206,461		93,129,124	4,898,315	258,422	57,933,907	30,038,480
52,064,140	$9,871,793	27,312,175	6,726,095	821,292	11,471,211	8,293,577
$291,270,601	$9,871,793	$120,441,299	$11,624,410	$1,079,714	$69,405,118	$38,332,057

APPENDIX II

Analysis of SIPC Revenues and Expenses for the Five Years Ended December 31, 1981

	1981	1980	1979	1978	1977
Revenues:					
Interest on U.S. Government securities	$24,001,865	$19,501,245	$15,342,696	$11,168,387	$ 8,395,045
Member assessments	259,506	154,169	64,321	8,235,672	30,836,226
Interest on assessments	7,063	76	8,728	6,493	8,944
	24,268,434	19,655,490	15,415,745	19,410,552	39,240,215
Expenses:					
Administrative:					
Salaries and employee benefits	1,113,512	1,069,755	1,009,117	1,032,237	1,040,009
Assessment collection direct costs	1,851	680	2,080	4,800	8,760
Legal fees	12,813	50,733	19,850	22,814	26,808
Accounting fees	13,258	12,200	7,400	7,200	14,000
Other:					
Printing and mailing annual and interim reports	16,735	15,601	12,715	11,505	11,513
Directors fees and expenses	3,098	2,160	2,242	2,517	2,610
Travel and subsistence	118,220	44,556	36,446	37,281	53,625
Personnel recruitment	3,691	8,920	5,787	1,855	4,202
Rent—office space	158,394	130,725	131,302	112,844	101,111
Depreciation and amortization	12,705	11,979	11,474	12,320	12,664
Insurance	11,265	8,284	8,597	7,615	7,270
Postage	8,527	7,712	5,021	7,763	6,690
Office supplies and expense	53,784	50,226	46,716	56,842	55,255
Telephone and telegraph	25,278	24,006	22,191	22,783	25,694
Custodian fees	11,333	11,207	9,861	14,230	16,521
Miscellaneous	31,907	26,503	19,100	23,442	22,739
	454,937	341,879	311,452	310,997	319,894
	1,596,371	1,475,247	1,349,899	1,378,048	1,409,471
Public information program consultant's fees	101,411	150,503	44,383	5,000	—
	1,697,782	1,625,750	1,394,282	1,383,048	1,409,471
Customer protection proceedings:					
Net advances to:					
Trustees other than SIPC:					
Contractual commitments (net recoveries)	47,195	(29,814)	(49,850)	(128,449)	29,544
Securities (net recoveries)	51,526,215	818,362	(6,000,106)	75,688	(888,179)
Cash	11,585,507	1,030,140	608,402	2,545,722	1,112,270
	63,158,917	1,818,688	(5,441,554)	2,492,961	253,635
Administration expenses	1,292,915	987,077	255,375	236,647	778,431
	64,451,832	2,805,765	(5,186,179)	2,729,608	1,032,066
Estimate of future recoveries*	(10,000,000)	—	(1,500,000)	—	—
	54,451,832	2,805,765	(6,686,179)	2,729,608	1,032,066
SIPC as Trustee:					
Securities	40,425	1,355,679	75,525	—	—
Cash	38,687	417,275	336,817	—	—
	79,112	1,772,954	412,342	—	—
Administration expenses	(159)	19,695	1,449	—	—
	78,953	1,792,649	413,791	—	—
Estimate of future recoveries*	—	(1,000,000)	—	—	—
	78,953	792,649	413,791	—	—
Direct payments:					
Securities	—	—	34,140	—	—
Cash	—	47,250	216,099	25,000	—
	—	47,250	250,239	25,000	—
Administration expenses	—	—	1,330	3,031	—
	—	47,250	251,569	28,031	—
Net change in estimated costs to complete proceedings*	15,400,000	(500,000)	4,500,000	—	—
	69,930,785	3,145,664	(1,520,819)	2,757,639	1,032,066
	71,628,567	4,771,414	(126,537)	4,140,687	2,441,537
Excess revenues (expenses)	($47,360,133)	$14,884,076	$15,542,282	$15,269,865	$36,798,678

*SIPC was able to estimate costs (recoveries) commencing in 1979.

Distributions for Accounts of Customers For the Eleven Years Ended December 31, 1981

(In Thousands of Dollars)

	From Debtors' Estates (Including Securities)	From SIPC	Total
1971	$ 271	$ 401	$ 672
1972	9,300	7,343	16,643
1973	170,672	31,706	202,378
1974	21,582	(222)*	21,360
1975	6,379	4,746	11,125
1976	19,901	764	20,665
1977	5,462	254	5,716
1978	1,242	2,518	3,760
1979	9,561	(4,779)*	4,782
1980	10,163	2,848	13,011
1981	36,738	63,238	99,976
	$291,271	$108,817	$400,088

*Net recoveries.