

ANNUAL

1994

REPORT



SECURITIES INVESTOR PROTECTION CORPORATION



SECURITIES INVESTOR PROTECTION CORPORATION
805 FIFTEENTH STREET, N.W. SUITE 800
WASHINGTON, D.C. 20005-2207
(202) 371-8300

April 28, 1995

The Honorable Arthur Levitt
Chairman
Securities and Exchange Commission
450 5th St., N.W.
Washington, D.C. 20549

Dear Sir:

On behalf of the Board of Directors I submit herewith the Twenty-fourth 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,

A handwritten signature in cursive script that reads "Clifford Hudson".

Clifford Hudson
Chair

Contents

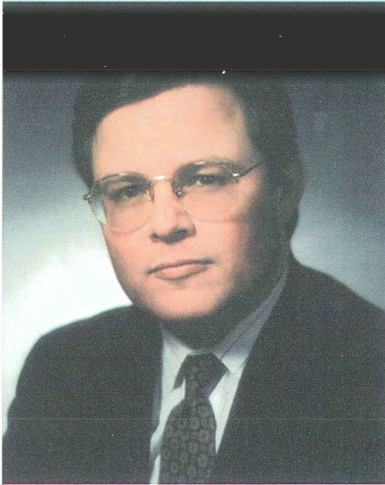
A Message from the Chair	3
Overview of SIPC	4
Customer Protection Proceedings	6
Administration	7
Membership and the SIPC Fund	8
Litigation	10
Disciplinary and Criminal Actions	11
Financial Statements	12
Appendix I: Distributions for Accounts of Customers for the Twenty-Four Years Ended December 31, 1994	17
Appendix II: Customer Protection Proceedings	18
A: Customer Claims and Distributions Being Processed	
B: Customer Claims Satisfied, Litigation Matters Pending	20
C: Proceedings Completed in 1994	28
D: Summary	30
Appendix III: Analysis of SIPC Revenues and Expenses for the Five Years Ended December 31, 1994	32



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

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

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



It is a pleasure for me to report on the previous year's operations of the Securities Investor Protection Corporation. I am fortunate to have assumed the duties of Chair of SIPC in 1994 following twelve years of service by James Stearns, who served the longest period as Chair of any person in SIPC's history. I believe that SIPC performed its responsibilities extremely well under his guidance and it will be our goal to operate equally successfully going forward.

The financial condition of SIPC and its fund continues to be very strong. As of the end of 1994, the fund reached a balance of approximately \$867 million, well on its way to a stated goal under SIPC bylaws of \$890 million as of April 1, 1995. We believe we are on track to reach a targeted balance of \$1 billion in 1997, leaving the fund in its most secure position ever.

Nineteen ninety-four marked the second year in a row of the fewest new customer protection proceedings in SIPC's history. Only two proceedings were begun, and each of them involved a relatively small firm. As a result, the demand placed on the fund by new cases was at an historic low in 1994.

There have also been several personnel changes during the year. As I mentioned at the outset, Jim Stearns left his position as Chair after serving in that capacity for twelve years. As significantly, Ted Focht left his position as President and General Counsel of SIPC, having served SIPC since its inception. He will be sorely missed, but ably succeeded by Michael Don, now President of SIPC. Mr. Don has been with SIPC for 23 years and has moved in a seamless manner to fill the chief executive position.

In addition, four new members of SIPC's board of directors have been nominated by President Clinton and are currently under consideration by the United States Senate. I am expecting the new board members to be confirmed in the relatively near future.

All of this change, however, should not indicate that SIPC is changing its mission or heading in a new direction. On the contrary, SIPC will continue on its course prescribed by statute, consistent with its history of successful operations, as evidenced by this offering, its 1994 Annual Report.

A handwritten signature in cursive script that reads "Clifford Hudson". The signature is written in dark ink and is positioned above the printed name and title.

Clifford Hudson
Chair

Overview of SIPC

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

Congress acted swiftly, passing the Securities Investor Protection Act of 1970 (SIPA). Its purpose is to afford certain protections against loss to customers resulting from broker-dealer failure and, thereby, promote investor confidence in the nation's securities markets. Currently, the limits of protection are \$500,000 per customer, except that claims for cash are limited to \$100,000 per customer.

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

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

The self-regulatory organizations—the exchanges and the National Association of Securities Dealers, Inc.—and the Securities and Exchange Commission (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 a liquidation. Under certain circumstances, SIPC may pay customer claims directly.

The SIPC staff, numbering 29, initiates the steps leading to the liquidation of a member, advises the trustee, his counsel and accountants, reviews claims, audits distributions of property, and carries out other activities pertaining to the Corporation's 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.

The resources required to protect customers beyond those available from the property in the possession of the trustee for the failed broker-dealer are advanced by SIPC. The sources of money for the SIPC Fund are assessments collected from SIPC members and interest on investments in United States Government securities. As a supplement to the SIPC Fund, a revolving line of credit was obtained from a consortium of banks. In addition, if the need arises, the SEC has the authority to lend SIPC up to \$1 billion, which it, in

turn, would borrow from the United States Treasury.

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

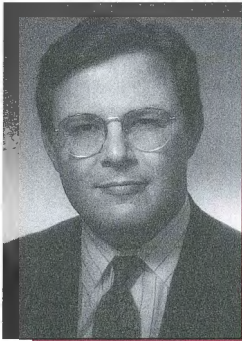
(i) persons whose principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions; and

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

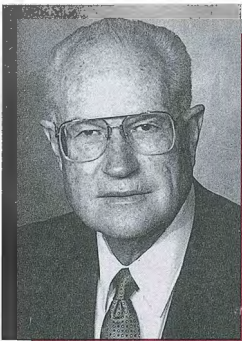
Also excluded are government securities brokers or dealers who are members of a national securities exchange but who are registered under section 15C(a)(1)(A) of the Securities Exchange Act of 1934.

Further information about the provisions for customer account protection is contained in a booklet, "How SIPC Protects You," which is available in bulk from the Securities Industry Association, 120 Broadway, New York, NY 10271, and from the National Association of Securities Dealers, Inc., Book Order Department, P.O. Box 9403, Gaithersburg, MD 20898-9403.

Directors



CLIFFORD HUDSON
President and Chief Executive Officer
Sonic Corp.
Chair

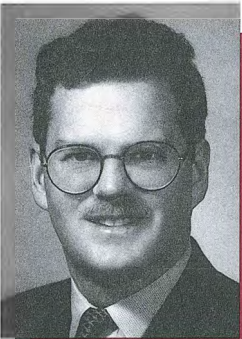


JESSE D. WINZENRIED
Vice Chair

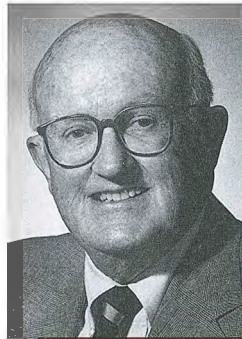
One position of Director is vacant, pending appointment by the President of the United States, subject to Senate approval.



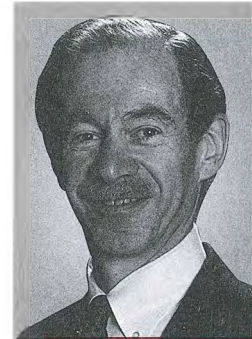
MICHAEL J. PRELL
Director, Division of Research and
Statistics
Board of Governors of the Federal
Reserve System



THOMAS J. HEALEY
Partner
Goldman Sachs & Co.



GEORGE H. PFAU, JR.
Senior Vice President
PaineWebber Incorporated



FRANK N. NEWMAN
Under Secretary
for Domestic Finance
Department of the Treasury

Officers

MICHAEL E. DON
President & Acting General Counsel

STEPHEN P. HARBECK
Senior Associate General Counsel & Secretary

JOSEPH F. MARINO
Vice President—Operations & Finance

Customer Protection Proceedings

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

—Preamble to SIPA

Customer protection proceedings were initiated for 2 SIPC members in 1994, bringing the total since SIPC's inception to 246 proceedings commenced under SIPA. The 246 members represent less than 1 percent of the approximately 31,400 broker-dealers that have been SIPC members during the last 24 years. Currently, SIPC has 7,614 members.

The 2 new cases compare with three commenced in 1993. Over the last ten-year period, the annual average of new cases was seven.

SIPC serves as trustee in one case commenced in 1994 and the other case is a direct payment proceeding. Customer protection proceedings were initiated for the following SIPC members:

Member	Date Trustee Appointed
McCarley & Associates, Inc. Greenville, South Carolina (Direct Payment)	01/31/94*
First Lauderdale Securities Ft. Lauderdale, Florida (SIPC)	11/29/94

*Date notice published

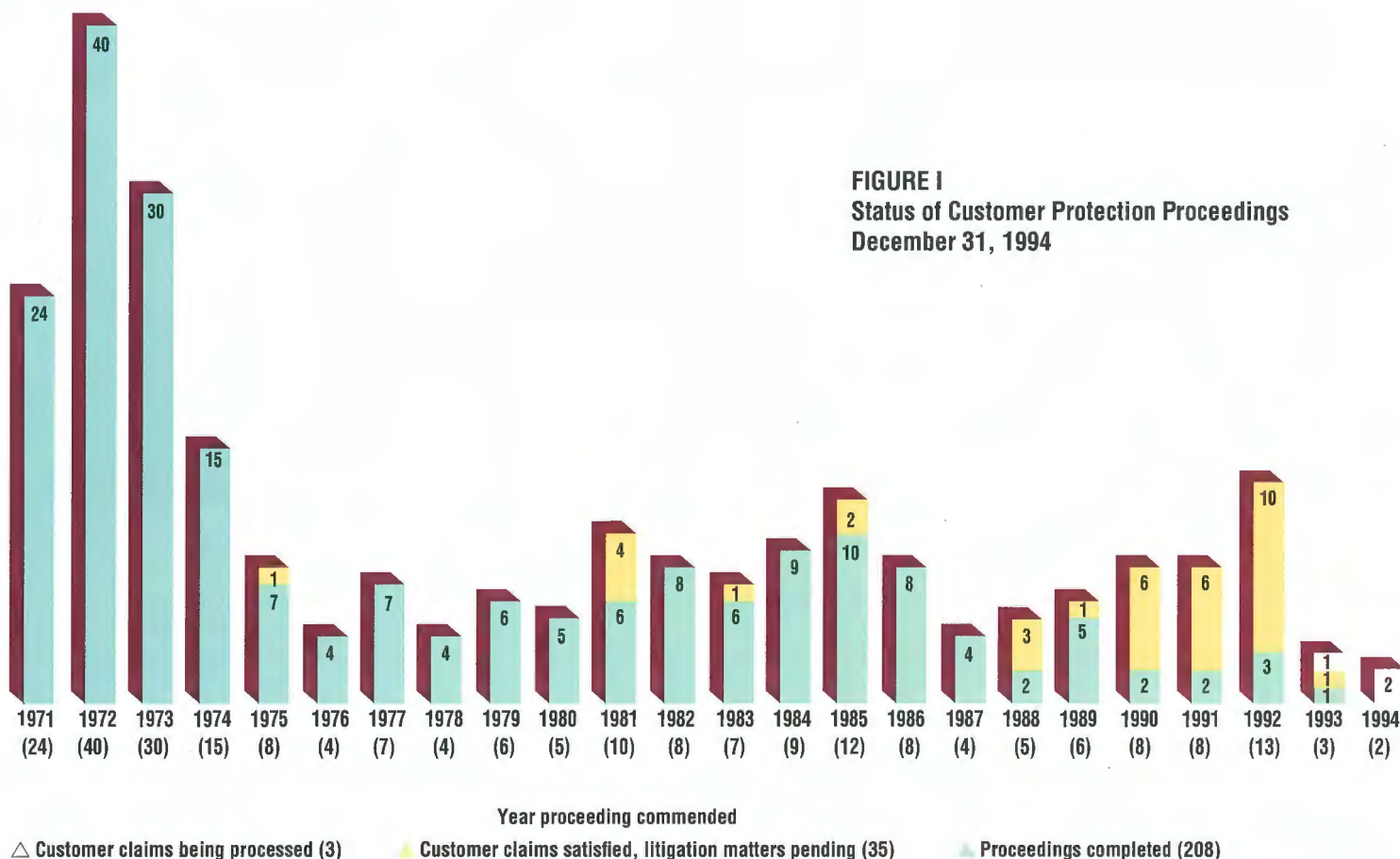
Of the 246 proceedings begun under SIPA to date, 208 have been completed, 35 involve pending litigation matters, and claims in 3 are being processed (See Figure I and Appendix II).

During SIPC's 24-year history, cash and securities distributed for accounts of customers aggregated approximately \$1.9 billion. Of that amount, approximately \$1.7 billion came from debtors' estates and \$172 million came from the SIPC Fund (See Appendix I).

Claims over the Limits

Of the more than 341,000 claims satisfied as of December 31, 1994, a total of 298 were for cash and securities whose value was greater than the limits of protection afforded by SIPA.

The 298 claims, a net decrease of 5 during 1994, represent less than one-tenth of one percent of all claims satisfied



fied. The unsatisfied portion of claims, \$17.8 million, decreased approximately \$850,000 during 1994. These remaining claims approximate one percent of the total value of securities and cash distributed for accounts of customers.

SIPC Fund Advances

Table I shows that the 46 debtors, for which net advances of more than \$1 million have been made from the SIPC Fund, accounted for 83 percent of the total advanced in all 246 customer protection proceedings. The largest net advance in a single liquidation is \$30.7 million for Bell & Beckwith. This exceeds the net advances in the 178 smallest proceedings combined.

In eleven proceedings SIPC advanced \$127.9 million, or 51 percent of net advances from the SIPC Fund for all proceedings.

TABLE I
Net Advances from the SIPC Fund
December 31, 1994
246 Customer Protection Proceedings

Net Advances		Number of Proceedings	Amounts Advanced
From	To		
\$10,000,001	up	5	\$ 90,856,534
5,000,001	\$10,000,000	6	37,056,623
1,000,001	5,000,000	35	79,910,096
500,001	1,000,000	24	17,144,859
250,001	500,000	38	13,056,637
100,001	250,000	54	8,697,572
50,001	100,000	39	2,757,454
25,001	50,000	21	769,186
10,001	25,000	10	155,792
0	10,000	10	26,087
Net recovery		4	(1,489,614)*
			<u>\$248,941,226†</u>

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

†Consists of advances for accounts of customers (\$172,121,581) and for administration expenses (\$76,819,645).

Administration

Nineteen ninety-four saw more significant administrative changes at SIPC than in any previous year. On October 7th, James G. Stearns was replaced as Chair by Clifford Hudson. Mr. Stearns served as Chair for twelve years, oversaw significant internal structural changes at SIPC, led the Board of Directors as it developed its program to bring the SIPC Fund to \$1 billion by early 1997, and brought SIPC fully into the computer age.

Mr. Hudson has now become SIPC's fourth Chair, with a term that runs through December, 1997. He also currently serves as President and Chief Executive Officer of Sonic Corp., an Oklahoma City-based, publicly held company, which owns, operates, and franchises restaurants. He has served as an officer of Sonic since 1984 in a variety of capacities. He also serves as a member of the Economic Policy Committee of the United States Chamber of Commerce, served as a member of the Oklahoma Governor's Economic Advisory Task Force during the early 1990's, and spent several years as a member of the State Board for Property and Casualty Rates for the State of Oklahoma in the late 1980's. Mr. Hudson has a law degree from Georgetown University and a Bachelor of Arts degree from the University of Oklahoma.

At the end of 1994 Theodore H. Focht, SIPC's General Counsel since its inception and also its President since 1984, retired from SIPC. Mr. Focht, together with his staff, formulated the legal positions that have guided SIPC over

the last twenty-four years and helped to establish the many judicial precedents enforcing those positions. He had an active role in virtually every significant action which SIPC has taken, and led successful efforts to amend the Securities Investor Protection Act so as to provide SIPC with the flexibility it has today to carry out its mission.

Mr. Focht has been replaced as President by Michael E. Don, who was SIPC's Secretary and Deputy General Counsel. Mr. Don started as a staff attorney at SIPC in 1971 and has held increasingly responsible positions since then. Previously, Mr. Don was a trial attorney with the United States Securities and Exchange Commission. Mr. Don holds a law degree from the Washington College of Law of the American University and a Bachelor of Arts degree from Tufts University.

Mr. Don, in turn, was replaced as Secretary by Stephen P. Harbeck, who has served on SIPC's legal staff since 1975.

President Clinton has nominated four new directors to SIPC's board, all of whom may be confirmed by the Senate by the time this report is published. They are Debbie D. Branson, a Dallas attorney whom President Clinton has indicated he will name as Vice Chair of SIPC; Albert J. Dwoskin, a Virginia real estate developer and owner of Chain Bridge Securities; Charles L. Marinaccio, a Washington, D.C. lawyer and former SEC Commissioner; and Marianne C. Spraggins, formerly a managing director with Smith Barney Shearson.

Membership and the SIPC Fund

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

—SIPA, Sec. 4(c)2

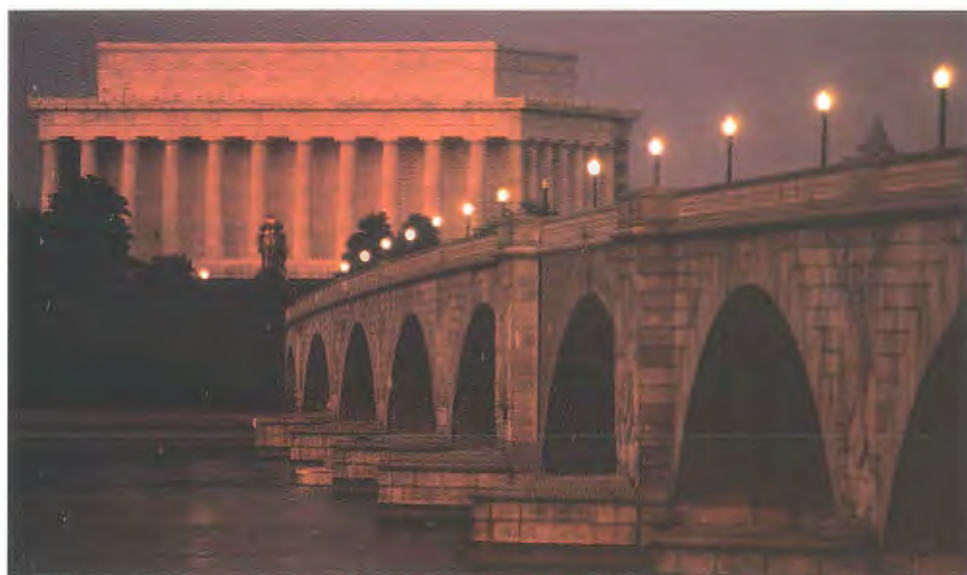
The net decrease of 271 members during the year brought the total membership to 7,614 at December 31, 1994. Table II shows the members' affiliation for purposes of assessment collection, as well as the year's changes therein.

TABLE II
SIPC Membership
Year Ended December 31, 1994

Agents for Collection of SIPC Assessments	Total	Added(a)	Terminated(a)
National Association of Securities Dealers, Inc.	4,537	232	31
SIPC(b)	355	25(c)	681(d)
Chicago Board Options Exchange Incorporated	1,124	101	15
New York Stock Exchange, Inc.	645	30	4
American Stock Exchange, Inc.	446	58	13
Pacific Stock Exchange, Inc.	242	36	7
Philadelphia Stock Exchange, Inc.	145	12	3
Chicago Stock Exchange, Incorporated	108	13	5
Boston Stock Exchange, Inc.	12	—	4
Administrative Adjustments			15
	<u>7,614</u>	<u>507</u>	<u>778</u>

Notes:

- The numbers in this category do not reflect transfers of members to successor collection agents that occurred within 1994.
- SIPC serves as the collection agent for registrants under section 15(b) of the 1934 Act that are not members of any self-regulatory organization. The "SIPC" designation is an extralegal category created by SIPC for internal purposes only. It is a category by default and mirrors the SECO broker-dealer category abolished by the SEC in 1983.
- This number reflects the temporary status of broker-dealers between the effective date of registration under section 15(b) of the 1934 Act and membership in a self-regulatory organization. Legislation passed in late 1993 should eventually eliminate this category.
- This number reflects the temporary status of broker-dealers between the termination of membership in a self-regulatory organization and the effective date of the withdrawal or cancellation of registration under section 15(b) of the 1934 Act.



Delinquencies

Members who are delinquent in paying assessments receive notices pursuant to SIPA Section 14(a).¹ As of December 31, 1994, there were 218 members who were subjects of uncured notices, 211 of which were mailed during 1994, three during 1993, two during 1992, and one each during 1990 and 1991. Subsequent filings and payments by 106 members left 112 notices uncured. SIPC has been advised by the SEC staff that: (a) 70 member registrations have been cancelled or are being withdrawn; (b) nine are no longer engaged in the securities business and cancellations of their registrations have been or are being recommended; and (c) 33 are being contacted by SEC 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 \$867.2 million at year end, an increase of \$75.8 million during the year.

Tables III and IV present principal revenues and expenses for the years

1971 through 1994. The 1994 member assessments were \$37.1 million and interest from investments was \$50.9 million. During the years 1971 through 1977, 1983 through 1985 and 1989 through 1994, member assessments were based on a percentage of each member's gross revenue (net operating revenue for 1991 through 1994) from the securities business.

Appendix III is an analysis of revenues and expenses for the five years ended December 31, 1994.

¹14(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
Twenty-four Years Ended
December 31, 1994

- Member assessments and contributions: \$663,985,503
- Interest on U.S. Government securities: \$550,947,678

History of Member Assessments*

1971: 1/2 of 1% plus an initial assessment of 1/8 of 1% of 1969 revenues (\$150 minimum).

1972-1977: 1/2 of 1%.

January 1-June 30, 1978: 1/4 of 1%.

July 1-December 31, 1978: None.

1979-1982: \$25 annual assessment.

1983-March 31, 1986: 1/4 of 1% effective May 1, 1983 (\$25 minimum).

1986-1988: \$100 annual assessment.

1989-1990: 3/16 of 1% (\$150 minimum).

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

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

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

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

*Rates based on each member's gross revenues (net operating revenues for 1991-1994) from the securities business.

Millions of Dollars

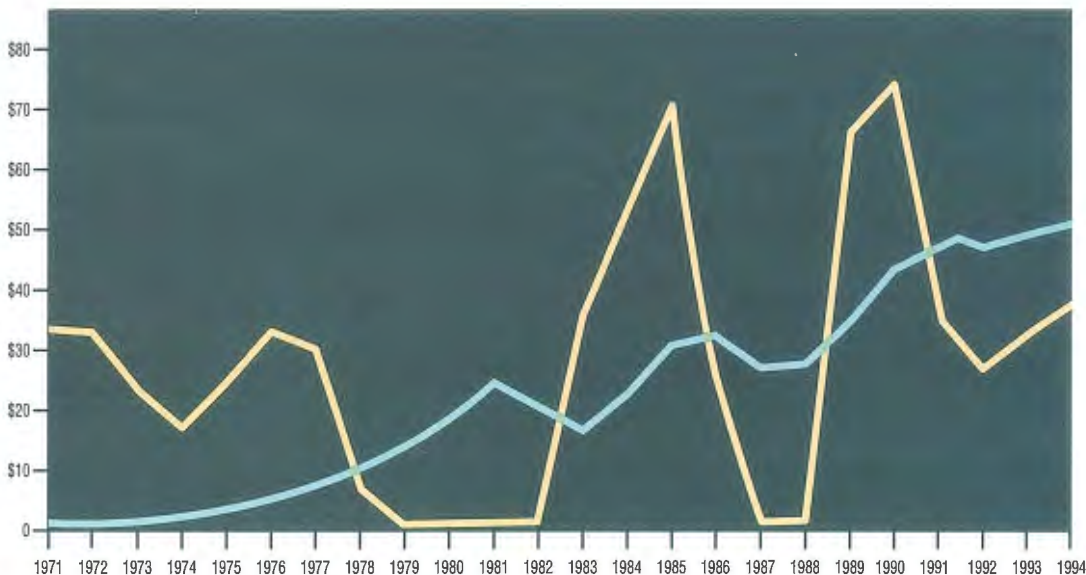
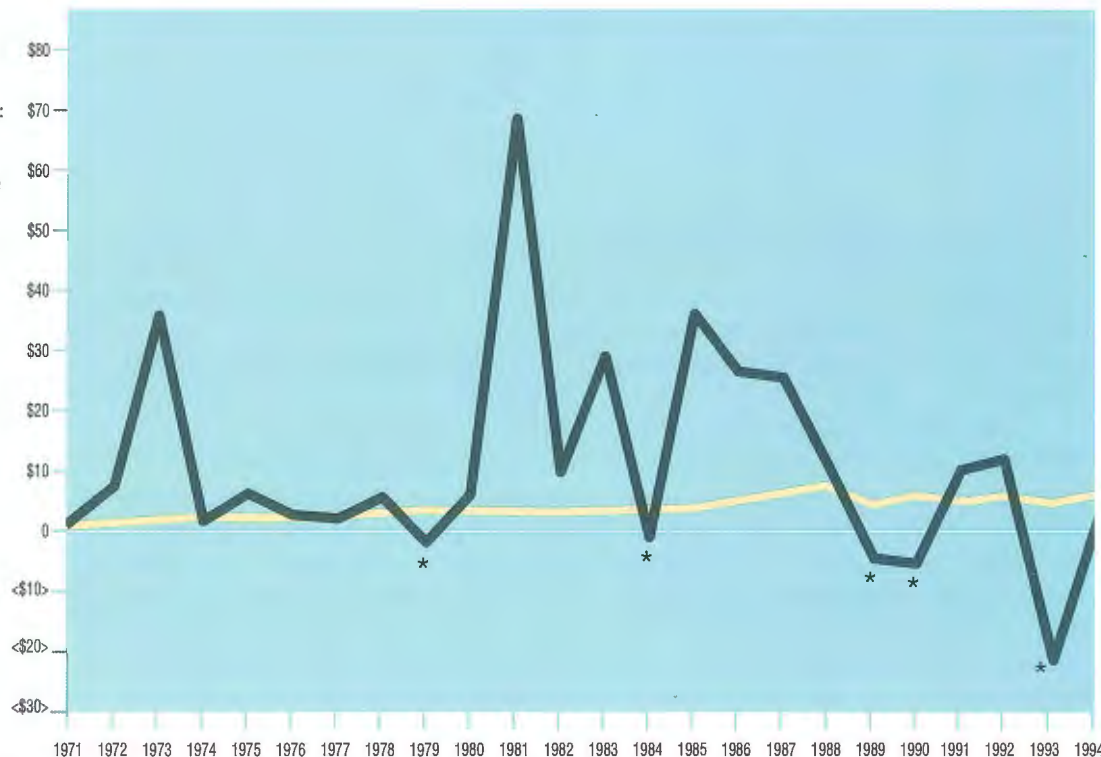


TABLE IV
SIPC Expenses for the
Twenty-four Years Ended
December 31, 1994

- Customer protection proceedings: \$248,841,226 (Includes net advances of \$248,941,226 less estimated future recoveries of \$10,500,000 and \$10,400,000 of estimated costs to complete proceedings.)
- Other expenses: \$81,116,876

Millions of Dollars



* Net recoveries.

Litigation

During 1994, SIPC and SIPA trustees were actively involved in litigation at both the trial and appellate levels. The more significant matters are summarized below.

In *In re First Ohio Sec. Co. (Plumbers & Steamfitters Local No. 490 Severance and Retirement Fund v. Appleton)*, 1994 U.S. App. LEXIS 31347 (6th Cir. November 1, 1994), the court of appeals affirmed the order of the district court and held that (i) a claimant has a claim for cash and not for securities where the claimed securities never existed; and (ii) the actual customers of the failed broker-dealer were the severance and retirement funds and not the individual participants in the funds. A petition for certiorari filed with the United States Supreme Court by one of the funds and its individual participants was denied. 1995 U.S. LEXIS 2043 (U.S. March 20, 1995).

In *In re Blinder, Robinson & Co., Inc. (Keller v. Blinder)*, 162 B.R. 555 (D. Colo. 1994), in an action by a SIPC trustee against the son and daughter-in-law of the debtor's principal to set aside a post-petition transfer of estate property, the district court affirmed the order of the bankruptcy court and held that (i) SIPA's jurisdictional provisions that provide for the reference of SIPA proceedings to the bankruptcy court are not unconstitutionally overbroad; and (ii) that the SIPA trustee could recover the post-petition transferred funds to the debtor's principal's son and daughter-in-law because they were the initial transferees of the funds.

In *In re Blinder, Robinson & Co., Inc. (SIPC v. Stellatos)*, 169 B.R. 704 (D. Colo. 1994), the district court affirmed the order of the bankruptcy court and held that certain late-filed claims should be treated in the same manner as timely-filed customer claims, based on the "exceptional circumstances" of the late-filings. A motion for reconsideration is pending before the United States District Court for the District of Colorado (No. 93-K-213).

In *In re First Sec. Group of California, Inc. (Gumport v. Conn)*, CV 93-4907-RMT

(C.D. Cal., October 27, 1994), the district court reversed the orders of the bankruptcy court and held that, because of the alter ego doctrine, the debtor was the alter ego of a related entity and investments through the related entity are entitled to the same SIPC protection as investments through the Debtor. An appeal to the United States Court of Appeals for the Ninth Circuit is pending (No. 94-56706).

In *Barton v. SIPC*, Civil No. 94-3359 (AET) (D.N.J., November 29, 1994), an action by a customer arising out of a claim determination by SIPC in a SIPA direct payment procedure, the district court held that adjudications of contested direct payment determinations should be heard by the bankruptcy court.

In *In re Bell & Beckwith (McGraw v. Betz)*, 172 B.R. 19 (Bankr. N.D. Ohio 1994), the bankruptcy court, on remand from the court of appeals, held that (i) the debtor broker-dealer's contributions to its profit-sharing retirement plan were void *ab initio* and should be turned over to the SIPA trustee for the benefit of creditors because post-filing date accounting evaluations revealed the debtor had been insolvent and had no net income during the period when the contributions were made; and (ii) the portion of the increase in value of the plan funds attributed to the above contributions should also be turned over to the SIPA trustee for the benefit of the creditors.

In *In re Carolina First Sec. Group, Inc.*, 173 B.R. 884 (Bankr. M.D.N.C. 1994), the bankruptcy court held that claimants who provided a letter of credit to collateralize a line of credit for the debtor's parent corporation in return for an equity interest in the parent corporation were not customers because they had not entrusted cash or securities with the debtor for the purchase of securities but had made a loan to the debtor's parent corporation.

In *In re Lloyd Sec., Inc.*, 163 B.R. 242 (Bankr. E.D. Pa. 1994), on two applications for attorneys fees and costs by counsel for certain alleged former cus-

tomers of the debtor and by those alleged former customers, the bankruptcy court held that (i) while SIPA controls the issue of when compensation may be granted, the applicable standards for allowance of compensation must be borrowed from the Bankruptcy Code as incorporated by SIPA; (ii) the principal application was not allowed because the applicants' services benefitted only or principally the alleged customers themselves, were duplicative of services performed by the SIPA trustee, and were insufficiently significant to merit compensation; and (iii) the other application (for services provided in connection with a successful motion for joint administration) was allowed because the joint administration of the SIPA proceeding and the related bankruptcy cases provided benefit to SIPC. Cross-appeals to the United States District Court or the Eastern District of Pennsylvania are pending (Civ. Action Nos. 94-1391 and 94-1416).

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 T. 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 appointed to administer customer protection proceedings and SIPC personnel cooperate with the SEC and with law enforcement authorities in their investigations of possible violations of law.

As a result of SEC and self-regulatory action in 1994, three 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 95 of the 246 SIPC proceedings commenced since enactment of the Securities Investor Protection Act in December 1970. A total of 212 indictments have been returned in federal or state courts, resulting in 175 convictions to date.

Administrative and/or criminal action in 233 of the 246 SIPC customer protection proceedings initiated through December 31, 1994, was accomplished as follows:

Action Initiated	Number of Proceedings
Joint SEC/Self-Regulatory Administrative Action	59
Exclusive SEC Administrative Action	37
Exclusive Self-Regulatory Administrative Action	42
Criminal and Administrative Action	84
Criminal Action Only	11
Total	<u>233</u>

In the 222 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	115	103
Bar from Association	339	213
Fines	Not Applicable	\$6,110,953

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

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

The \$6,110,953 in fines assessed by self-regulatory authorities were levied against 101 associated persons and ranged from \$250 to \$1,500,000.

Members in or Approaching Financial Difficulty

Section 5(a)(1) of SIPA requires the SEC or the self-regulatory organizations to immediately notify SIPC upon discovery of facts which indicate that a broker or dealer subject to their regulation is in or is approaching financial difficulty. The Commission, the securities exchanges and the 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.

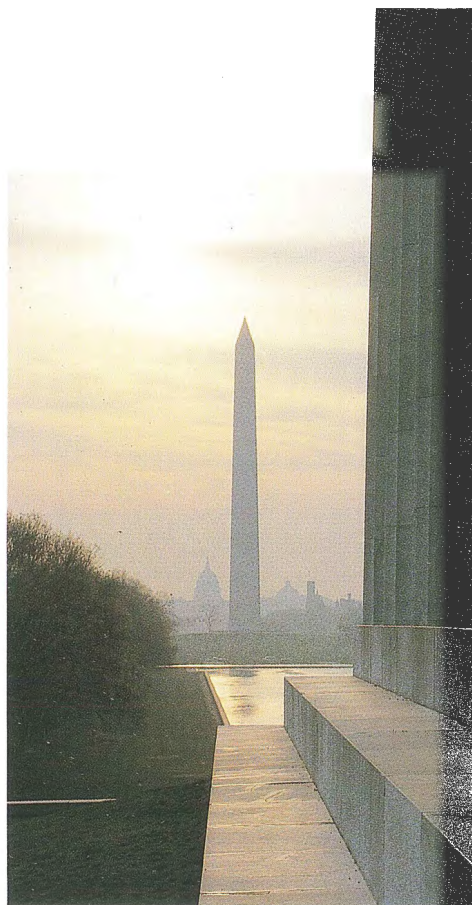
Members on Active Referral

SIPC maintained active files on 10 members referred under Section 5(a) during the calendar year 1994. Seven referrals were received during the year and 3 active referrals had been carried forward from prior years. Five of the 10 remained on active referral at year-end.

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

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

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



*Report of Ernst & Young LLP
Independent Auditors*

Board of Directors
Securities Investor Protection Corporation

We have audited the accompanying statement of financial condition of Securities Investor Protection Corporation as of December 31, 1994, and the related statements of operations and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 Securities Investor Protection Corporation at December 31, 1994, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Ernst & Young LLP

Washington, D.C.
March 17, 1995

Securities Investor Protection Corporation

Statement of Financial Condition December 31, 1994

ASSETS	
Cash (Net of \$1,499,975 escrowed funds)	\$ 490,103
Estimated member assessments receivable (Note 3)	20,000,000
U.S. Government securities, at amortized cost and accrued interest receivable (\$16,722,670); (approximate market \$838,000,000) (Note 6)	866,661,931
Advances to trustees for customer protection proceedings in progress, less allowance for possible losses (\$105,550,632) (Note 4)	10,500,000
Other	177,886
	<hr/>
	\$897,829,920
LIABILITIES AND FUND BALANCE	
Advances to trustees — in process (Note 4)	\$ 147,666
Accounts payable and accrued expenses (Note 8)	1,807,175
Estimated costs to complete customer protection proceedings in progress (Note 4)	10,400,000
Member assessments received in advance (Note 3)	500,000
	<hr/>
	12,854,841
Commitments (Note 5)	
Fund balance	884,975,079
	<hr/>
	\$897,829,920

Statement of Operations and Fund Balance for the year ended December 31, 1994

Revenues:	
Interest on U.S. Government securities	\$ 50,852,510
Member assessments (Note 3)	37,115,454
	<hr/>
	87,967,964
Expenses:	
Salaries and employee benefits (Note 8)	2,654,204
Legal and accounting fees (Note 4)	154,064
Credit agreement commitment fee (Note 5)	1,925,112
Rent (Note 5)	577,489
Other	581,698
	<hr/>
	5,892,567
Provision for estimated costs to complete customer protection proceedings in progress (Note 4)	1,277,198
	<hr/>
	7,169,765
Excess revenues	80,798,199
Fund balance, beginning of year	804,176,880
	<hr/>
Fund balance, end of year	\$884,975,079

See notes to financial statements.

Securities Investor Protection Corporation

Statement of Cash Flows for the year ended December 31, 1994

Operating activities:	
Interest received from U.S. Government securities	\$ 49,551,963
Member assessments received	31,115,454
Advances paid to trustees	(4,628,167)
Recoveries of advances	3,961,150
Salaries and other operating activities expenses paid	(5,484,767)
Net cash provided by operating activities	74,515,633
Investing activities:	
Proceeds from sales of U.S. Government securities	235,965,654
Purchases of U.S. Government securities	(310,330,650)
Purchases of furniture and equipment	(31,010)
Net cash used by investing activities	(74,396,006)
Increase in cash	119,627
Cash, beginning of year	370,476
Cash, end of year	\$ 490,103

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 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 \$867,152,034.

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

3. Member assessments

Member assessment rates for fiscal years beginning 1991 and thereafter are estimated according to the September 1991 by-law mandating 10% yearly growth of the SIPC Fund to

\$1 billion. Effective January 1, 1994, for members' fiscal years beginning in 1994, the assessment rate is .073% of net operating revenues from the securities business or \$150, whichever is greater. Assessments received in advance will be applied to future assessments and are not refundable except to terminated members.

4. Customer protection proceedings

Customer protection proceedings (proceedings) include liquidations conducted by court appointed trustees and direct payment proceedings conducted by SIPC. There are 38 proceedings in progress at December 31, 1994. Customer claims have been satisfied in 35 of these proceedings and in 3 proceedings customer claims and distributions are 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. Recoveries are estimated based upon the expected disposition of the debtors' estates.

SIPC has advanced \$116.1 million for proceedings in progress to carry out its statutory obligation to satisfy customer claims and to pay administration expenses. Of this amount, \$105.6 million is not expected to be recovered.

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	\$11,600,000	\$11,000,000
Add:		
Provision for current year recoveries	1,000,000	
Provision for estimated future recoveries	1,900,000	
Provision for estimated costs to complete proceedings		4,100,000
Less:		
Recoveries	4,000,000	
Advances to trustees		4,700,000
Balance, end of year	\$10,500,000	\$10,400,000

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

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

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

5. Commitments

Future minimum annual rentals for office space under a ten-year lease effective September 1, 1987, at the rate of \$404,730 for the first five years and \$472,185 thereafter, total \$1,259,160. Additional rental based on increases in operating expenses, including real estate taxes, and in the Consumer Price Index, is required by the lease. Rent expense for 1994 totalled \$577,489.

Effective April 1, 1992, SIPC entered into a credit agreement with a consortium of banks to provide SIPC with a \$1 billion revolving line of credit. A fee, which is payable quarterly on the unused portion of the commitment, was reduced from .20% per annum to .15% per annum at the end of 1994.

6. Fair value of securities

Approximate market of U.S. Government securities is based on the Federal Reserve Bank of New York bid quote as of December 31, 1994.

7. Reconciliation of excess revenues with net cash provided by operating activities:

Excess revenues	\$80,798,199
Increase in member assessments receivable	(6,000,000)
Increase in accrued interest receivable on U.S. Government securities	(3,607,631)
Decrease in amortized premium on U.S. Government securities	2,307,084
Net decrease in estimated recoveries of advances to trustees	1,100,000
Net decrease in estimated cost to complete customer protection proceedings	(600,000)
Increase in payables	468,735
Other reconciling items	49,246
Net cash provided by operating activities	\$74,515,633

8. Retirement Plans

SIPC has a noncontributory defined benefit plan and a contributory defined contribution plan which cover all employees. Information regarding these plans, provided in accordance with Statement No. 87 of the Financial Accounting Standards Board, follows:

Defined benefit plan (actuarially determined):	
Service cost—benefits earned during 1994	\$262,841
Interest accrued on Projected Benefit Obligation	379,555
Actual Return on Plan assets	36,525
Net amortization and deferral	(564,080)
Net pension expense	114,841
Defined contribution plan—SIPC contributions (60% of employee contributions, up to 3.6% of salary)	
	62,635
Total pension expense for 1994	\$177,476
As of January 1, 1995, the most recent actuarial valuation date, the funded status of the defined benefit plan was:	
Present value of benefit obligations:	
Vested	\$(4,675,129)
Non-vested	(321,071)
Accumulated Benefit Obligation	(4,996,200)
Effect of projected future salary increases and moving IRS limitations	(962,799)
Projected Benefit Obligation	(5,958,999)
Market value of Plan assets	5,496,340
Funded Status—Projected Benefit Obligation excess of the market value of Plan assets	(462,659)
Unrecognized net (asset)	(175,069)
Unrecognized prior service (credit)	(203,825)
Prepaid pension expense	(401,575)
Unrecognized net loss	\$(1,243,128)
Assumptions used:	
1. Discount rate	8%
2. Expected long-term rate of return	9%
3. Average compensation increase	5%
4. Cost of living adjustment	4%

Assets of the defined benefit plan are invested in a global securities commingled trust.

SIPC also has two defined benefit postretirement plans that cover all employees. One plan provides medical and dental insurance benefits and the other provides life insurance benefits. The postretirement health care plan is contributory, with retiree contributions adjusted annually; the life insurance plan is noncontributory.

Information regarding these plans' funded status as of December 31, 1994, based on a discount rate of 8.0% as of December 31, 1994, provided in accordance with Statement No. 106 of the Financial Accounting Standards Board, follows:

Defined benefit postretirement plan (actuarially determined):	
Accumulated postretirement benefit obligation	
Currently retired employees	\$ (211,002)
Fully eligible active employees	0
Currently eligible active employees	0
Other active employees	(704,042)
Plan assets at fair value	0
Funded Status	(915,044)
Unrecognized net gain from past experience different from that assumed and from changes in assumptions	
	(663,392)
(Accrued) postretirement benefit cost	\$(1,578,436)

The net periodic postretirement benefit cost for 1994 included the following components:

Service cost—benefits earned during 1994	\$ 82,474
Interest on accumulated postretirement benefit obligation	82,074
Return on Plan assets	0
Amortization of unrecognized net gain	(11,452)
Net periodic postretirement benefit expense for 1994	\$ 153,096

For measurement purposes a discount rate of 7% and annual rates of 12.5%/10.5% (non-Medicare/Medicare) for increases in the health care trend factor was assumed for 1994, and the rate was assumed to decrease gradually to 5% for 2003 and thereafter. The health care trend factor assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care trend factor by 1% in each year would increase the accumulated postretirement benefit obligation as of December 31, 1994, by about \$227,000 and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 1994, by about \$59,000.

The discount rate used in determining the accumulated postretirement benefit obligation at December 31, 1994, was 8%.

APPENDIX I *Distributions for Accounts of Customers
for the Twenty-Four Years Ended December 31, 1994*
(In Thousands of Dollars)

	From Debtor's Estates	From SIPC		Net	Total
	As Reported By Trustees	Advances*	Recoveries*		
1971	\$ 271	\$ 401		\$ 401	\$ 672
1972	9,300	7,347	\$ (4)	7,343	16,643
1973	170,672	35,709	(4,003)	31,706	202,378
1974	21,582	4,903	(5,125)	(222)	21,360
1975	6,379	6,952	(2,206)	4,746	11,125
1976	19,901	1,292	(528)	764	20,665
1977	5,462	2,255	(2,001)	254	5,716
1978	1,242	4,200	(1,682)	2,518	3,760
1979	9,561	1,754	(6,533)	(4,779)	4,782
1980	10,163	3,846	(998)	2,848	13,011
1981	36,738	64,311	(1,073)	63,238	99,976
1982	28,442	13,807	(4,448)	9,359	37,801
1983	21,901	52,927	(15,789)	37,138	59,039
1984	184,910	11,480	(13,472)	(1,992)	182,918
1985	180,973	19,400	(11,726)	7,674	188,647
1986	28,570	14,886	(4,414)	10,472	39,042
1987	394,443	20,425	(2,597)	17,828	412,271
1988	72,052	8,707	(10,585)	(1,878)	70,174
1989	121,958	(5,481)	(10,244)	(15,725)	106,233
1990	301,237	3,960	(4,444)	(484)	300,753
1991	1,943	6,234	(2,609)	3,625	5,568
1992	34,634	7,816	(230)	7,586	42,220
1993	115,881	4,372	(9,559)	(5,187)	110,694
1994	(14,882) [†]	(1,283)	(3,829)	(5,112)	(19,994)
	<u>\$1,763,333</u>	<u>\$290,220</u>	<u>\$(118,099)</u>	<u>\$172,121</u>	<u>\$1,935,454</u>

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

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

APPENDIX II *Customer Protection Proceedings*

PART A: Customer Claims and Distributions Being Processed^(a)

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers ^(b) To Whom Notices and Claim Forms Were Mailed	Responses ^(b) Received	Total Customer Claims Satisfied
Doviak Securities, Inc. Dallas, Texas (Jack L. Kinzie, Esq.)	8/17/88	8/11/93	8/11/93	335	29	12
McCarley & Associates, Inc. Greenville, South Carolina (Direct Payment)	3/01/85		1/31/94 [†]	1,373	25	1
First Lauderdale Securities Ft. Lauderdale, Florida (SIPC)	6/04/84	11/29/94	11/29/94	1,255	37	
TOTAL 3 MEMBERS: PART A				<u>2,963</u>	<u>91</u>	<u>13</u>

[†]Date notice published

December 31, 1994

Distribution of Assets Held By debtor ⁽⁶⁾			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
\$10,000		\$10,000	\$408,210	\$316,515			\$ 91,695
			58,258	13,258			45,000
<u>\$10,000</u>		<u>\$10,000</u>	<u>\$466,468</u>	<u>\$329,773</u>			<u>\$136,695</u>

APPENDIX II *Customer Protection Proceedings*

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

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers ^(b) To Whom Notices and Claim Forms Were Mailed	Responses ^(b) Received	Total Customer Claims Satisfied
Executive Securities Corp. New York, New York (Cameron F. MacRae, III, Esq.)	11/08/67	2/14/75	2/14/75	8,740	2,757	1,341
The Investment Bankers, Inc. Denver, Colorado (James H. Turner, Esq.)	10/23/80	7/10/81	7/15/81	2,500	1,934	1,189
First State Securities Corp. North Miami, Florida (Laurence A. Schroeder, Esq.)	6/19/75	7/24/81	7/24/81 7/17/85*	3,064	936	824
Joseph Sebag, Incorporated Los Angeles, California (Eugene W. Bell, Esq.)	3/07/68	7/27/81	7/27/81	8,000	4,341	3,640
John Muir & Co. New York, New York (Harvey R. Miller, Esq.)	10/28/37	8/16/81	8/16/81	40,000	16,960	19,000
Bell & Beckwith Toledo, Ohio (Patrick A. McGraw, Esq.)	2/22/50	2/05/83	2/10/83	10,500	6,888	6,523
Parr Securities Corp. New York, New York (Edwin B. Mishkin, Esq.)	8/14/81	5/06/85	5/17/85	1,350	63	13
Donald Sheldon & Co., Inc. New York, New York (Don L. Horwitz, Esq.)	12/01/75	7/30/85	8/13/85 2/17/87*	8,300	2,469	2,362
Omni Mutual, Inc. New York, New York (Sam Scott Miller, Esq.)	10/23/80	5/25/88	5/25/88	1,100	408	372
Fitzgerald, DeArman & Roberts, Inc. Tulsa, Oklahoma (P. David Newsome, Jr., Esq.)	12/18/63	6/28/88	6/28/88	52,219	20,000	30,480

*Successor Trustee

**Based upon Trustee's final report, reflects decrease of \$15,444,000 in customers' distributions previously reported.

December 31, 1994

Distribution of Assets Held By Debtor ^(c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
\$ 4,105,036	\$ 2,271,501	\$ 1,833,535	\$ 2,946,918	\$ 851,440	\$ 30,535	\$ 1,449,655	\$ 615,288
5,270,609	1,382,800	3,887,809	3,667,483				3,667,483
6,556,331	6,458,025	98,306	6,412,466	5,609,993	60,805	329,980	411,688
27,218,033	27,218,033		12,687,844	5,984,009		268,257	6,435,578
186,828,698	174,936,000**	11,892,698					
92,936,784	86,230,000	6,706,784	30,722,352	6,786,229			23,936,123
5,351,026	751,571	4,599,455	2,760,215			2,760,215	
6,038,508	5,962,405	76,103	12,733,600	5,315,924		7,013,546	404,130
208,319	6,161	202,158	4,699,635	3,004,268			1,695,367
134,062,332	127,992,299	6,070,033	6,691,354	1,630,000		280,726	4,780,628

APPENDIX II *Customer Protection Proceedings*
PART B: Customer Claims Satisfied, Litigation Matters Pending^(a)

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers^(b) To Whom Notices and Claim Forms Were Mailed	Responses^(b) Received	Total Customer Claims Satisfied
George R. Fairweather Securities, Inc. Jersey City, New Jersey (SIPC)	7/08/85	9/08/88	9/08/88	16,444	393	21
Williams Financial Group, Inc. Spokane, Washington (Joseph A. Esposito, Esq.)	6/01/87	12/07/89	12/07/89	30	24	3
Oberweis Securities Inc. Chicago, Illinois (J. William Holland, Esq.)	12/27/78	7/10/89	6/18/90	48,000	334	97
First Ohio Securities Company Cleveland, Ohio (William Appleton, Esq.)	1/09/85	6/22/90	6/22/90 4/19/91*	900	200	117
Blinder, Robinson & Co., Inc. Englewood, Colorado (Glen E. Keller, Jr., Esq.)	4/23/70	7/30/90	8/01/90	215,000	64,770	61,334
D F W Clearing, Inc. Fort Worth, Texas (Robert G. Richardson, Esq.)	1/15/89	9/17/90	9/17/90	77,051	5,559	5,447
Carolina First Securities Group, Inc. Winston-Salem, North Carolina (L. Bruce McDaniel, Esq.)	6/12/89	8/24/90	10/31/90	210	20	12
Lloyd Securities, Inc. Elkins Park, Pennsylvania (Robert E. Shields, Esq.)	6/02/61	6/06/90	12/22/90	500	163	72
John M. Sorenson & Co., Inc. Houston, Texas (SIPC)	6/25/84	1/22/91	1/22/91	248	36	15
Faitos & Co., Inc. Huntington, New York (Irving H. Picard, Esq.)	9/03/87	2/27/91	2/27/91	700	91	49

*Successor Trustee

Distribution of Assets Held By Debtor ^(c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
\$ 67,641	\$ 62,822	\$ 4,819	\$ 155,107	\$ 108,488		\$ 16,741	\$ 29,878
1,228		1,228	374,232	40,677		281,055	52,500
1,766,125	527,976	1,238,149	2,213,253	1,861,010		70,868	281,375
325,722		325,722	3,978,778	1,092,994		2,823,482	62,302
103,221,852	88,186,351	15,035,501	4,868,244	4,868,244			
925,809	229,255	696,554	2,752,687	2,051,607	\$ 20,000	56,289	624,791
132,655	15,000	117,655	581,212	164,775			416,437
1,738,252	1,625,184	113,068	3,138,862	1,169,846		21,756	1,947,260
33,001	28,035	4,966	357,975	70,495			287,480
24,134	15,349	8,785	1,630,229	286,936		1,226,129	117,164

APPENDIX II *Customer Protection Proceedings*

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

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers ^(b) To Whom Notices and Claim Forms Were Mailed	Responses ^(b) Received	Total Customer Claims Satisfied
Gateway Securities, Inc. Greenwich, Connecticut (SIPC)	12/17/79	4/23/91	4/23/91	3,154	124	27
C. J. Wright & Company, Inc. Ocala, Florida (K. Rodney May, Esq.)	10/17/85	4/24/91	4/24/91	1,500	120	1
Affiliated Security Brokers, Inc. Tyler, Texas (Wayne M. Secore, Esq.)	4/10/81	9/12/91	9/12/91	2,000	89	15
T. L. Reed Securities, Inc. Irving, Texas (Jack L. Kinzie, Esq.)	6/10/87	10/08/91	10/08/91	4,500	284	19
First Securities Group of California, Inc. Beverly Hills, California (Leonard L. Gumport, Esq.)	12/12/85	1/06/92	1/07/92	800	503	215
San Marino Securities, Inc. Salt Lake City, Utah (Herschel J. Saperstein, Esq.)	11/14/86	1/21/92	1/30/92	2,113	209	38
The Riverview Corporation Knoxville, Tennessee (SIPC)	8/17/89	2/03/92	2/03/92	300	29	7
Hyer, Bikson & Hinsin Leawood, Kansas (SIPC)	5/24/84	2/24/92	2/24/92	1,200	52	4
Sun Securities Incorporated Scottsdale, Arizona (SIPC)	2/05/85	3/16/92	3/16/92	885	78	18
Seoul Securities, Ltd. f/k/a Pantheon Capital Corp. Beverly Hills, California (SIPC)	10/28/82	3/06/92	3/17/92	100	10	1

December 31, 1994

Distribution of Assets Held By Debtor ^(c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
\$ 414,011	\$ 354,752	\$ 59,259	\$ 135,887	\$ 60,949			\$ 74,938
479,852	1,000	478,852	1,938,492	10,000		\$ 1,512,853	415,639
13,150		13,150	838,026	395,569		166,723	275,734
446,059	301,395	144,664	461,941	461,941			
			7,102,780	1,045,866			6,056,914
30,984	813	30,171	256,853	244,853		12,000	
14,143		14,143	102,149	32,004			70,145
5,007		5,007	192,431	27,771		159,671	4,989
			385,385	89,075			296,310
4,237		4,237	120,182	20,182			100,000

APPENDIX II *Customer Protection Proceedings*

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

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers ^(b) To Whom Notices and Claim Forms Were Mailed	Responses ^(b) Received	Total Customer Claims Satisfied
W. H. Farr & Co., Inc. New York, New York (Lee S. Richards, III, Esq.)	1/04/90	6/24/92	7/08/92	3,800	40	6
Wall Street of America, Inc. Norfolk, Nebraska (SIPC)	3/18/83	8/12/92	8/12/92	776	69	28
Noble Financial Corp. Los Angeles, California (Direct Payment)	9/14/87		8/19/92 [†]	220	2	2
Monmouth Investments, Inc. Princeton, New Jersey (Direct Payment)	11/02/79		10/09/92 [†]	147	36	12
Portfolio Asset Management USA Financial Group, Inc. El Paso, Texas (SIPC)	12/23/92	7/26/93	8/17/93	16,118	966	18
TOTAL 35 MEMBERS: PART B				<u>532,469</u>	<u>130,957</u>	<u>133,322</u>

[†]Date notice published

December 31, 1994

Distribution of Assets Held By Debtor ^(c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
\$ 195,628	\$ 142,264	\$ 53,364	\$ 376,926	\$ 266,746			\$ 110,180
			250,382	10,808		\$ 57,000	182,574
884	884		106,405	18,867		54,390	33,148
			21,269	7,623		8,170	5,476
658,516	204,317	454,199	108,544	80,044		16,000	12,500
<u>\$579,074,566</u>	<u>\$524,904,192</u>	<u>\$54,170,374</u>	<u>\$115,770,098</u>	<u>\$43,669,233</u>	<u>\$111,340</u>	<u>\$18,585,506</u>	<u>\$53,404,019</u>

APPENDIX II *Customer Protection Proceedings*

PART C: Proceedings Completed in 1994^(a)

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers ^(b) To Whom Notices and Claim Forms Were Mailed	Responses ^(b) Received	Total Customer Claims Satisfied
Bevill, Bresler & Schulman, Inc. Livingston, New Jersey (Richard W. Hill, Esq.)	12/01/75	4/08/85	5/08/85	23,800	4,700	3,601
Collins Security Corporation Little Rock, Arkansas (Harvey L. Bell, Esq.)	9/30/83	4/16/85	9/04/85	272	78	26
Government Securities Corp. Coral Gables, Florida (John R. Camp, Jr., Esq.)	12/12/86	5/12/87	5/12/87	4,000	3,368	2,200
Windsor Equity Corporation Brookfield, Wisconsin (David A. Erne, Esq.)	1/05/83	3/21/88	3/21/88	2,885	176	46
Waddell-Jenmar Securities, Inc. Chapel Hill, North Carolina (SIPC)	9/19/83	1/22/88	4/10/89	245	20	6
Pilgrim Planning Associates, Inc. Easton, Pennsylvania (SIPC)	6/21/79	5/22/91	5/23/91	2,834	104	11
Jim Becherer & Co. Belleville, Illinois (Harry O. Moline, Jr., Esq.)	6/10/76	3/16/92	3/16/92	320	72	10
Wellshire Securities, Inc. New York, New York (Direct Payment)	5/20/86		9/21/92 [†]	168	40	8
Golden Shamrock, Inc. Monrovia, California (Direct Payment)	9/14/87		3/11/93 [†]	650	12	3
TOTAL 9 MEMBERS 1994				35,174	8,570	5,911
TOTAL 199 MEMBERS 1973–1993^(d)				<u>712,777</u>	<u>211,177</u>	<u>202,401</u>
TOTAL 208 MEMBERS 1973–1994				<u>747,951</u>	<u>219,747</u>	<u>208,312</u>

[†]Date notice published

December 31, 1994

Distribution of Assets Held By Debtor ^(c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
\$ 454,980,242	\$ 429,983,865	\$24,996,377	\$ 17,722,241	\$ 5,701,611		\$ 4,177,135	\$ 7,843,495
1,520,250	882,247	638,003	827,478	606,006		221,472	
64,007,468	62,205,131	1,802,337	6,464,471	1,870,677		4,593,794	
613,452	70,816	542,636	452,279	65,007		387,272	
261,771	261,350	421	392,792	334,388			58,404
231,318	225,000	6,318	282,608	179,620			102,988
75,621	44,032	31,589	328,355	118,387			209,968
			53,963	7,238		14,803	31,922
			36,573	4,073			32,500
521,690,122	493,672,441	28,017,681	26,560,760	8,887,007		9,394,476	8,279,277
815,905,878	744,755,980	71,149,898	106,143,900	23,933,632	\$1,181,111	41,563,490	39,465,667
<u>\$1,337,596,000</u>	<u>\$1,238,428,421</u>	<u>\$99,167,579</u>	<u>\$132,704,660</u>	<u>\$32,820,639</u>	<u>\$1,181,111</u>	<u>\$50,957,966</u>	<u>\$47,744,944</u>

APPENDIX II *Customer Protection Proceedings*

PART D: Summary

		Customers ^(b) To Whom Notices and Claim Forms Were Mailed	Responses ^(b) Received	Customers Receiving Distributions
Part A:	3 Members—Customer Claims and Distributions Being Processed	2,963	91	13
Part B:	35 Members—Customer Claims Satisfied, Litigation Matters Pending	<u>532,469</u>	<u>130,957</u>	<u>133,322</u>
	Sub-Total	535,432	131,048	133,335
Part C:	208 Members—Proceedings Completed	<u>747,951</u>	<u>219,747</u>	<u>208,312</u>
	Total	<u><u>1,283,383</u></u>	<u><u>350,795</u></u>	<u><u>341,647</u></u>

Notes:

- (a) Based upon information available at year-end and subject to adjustments until the case is closed.
 (b) 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.
 (c) Includes assets marshalled by Trustee after filing date and does not include payments to general creditors.
 (d) Revised from previous reports to reflect subsequent recoveries, disbursements, and adjustments.

December 31, 1994

Distribution of Assets Held By Debtor ^(c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
\$ 10,000		\$ 10,000	\$ 466,468	\$ 329,773			\$ 136,695
579,074,566	\$ 524,904,192	54,170,374	115,770,098	43,669,233	\$ 111,340	\$18,585,506	53,404,019
579,084,566	524,904,192	54,180,374	116,236,566	43,999,006	111,340	18,585,506	53,540,714
1,337,596,000	1,238,428,421	99,167,579	132,704,660	32,820,639	1,181,111	50,957,966	47,744,944
<u>\$1,916,680,566</u>	<u>\$1,763,332,613</u>	<u>\$153,347,953</u>	<u>\$248,941,226</u>	<u>\$76,819,645</u>	<u>\$1,292,451</u>	<u>\$69,543,472</u>	<u>\$101,285,658</u>

APPENDIX III *Analysis of SIPC Revenues and Expenses for the Five Years Ended December 31, 1994*

	1994	1993	1992	1991	1990
Revenues:					
Interest on U.S. Government securities	\$50,829,178	\$48,316,768	\$46,211,084	\$46,962,755	\$ 42,827,097
Member assessments and contributions	37,115,454	32,612,767	27,217,374	38,851,496	73,029,832
Interest on assessments	23,332	19,931	21,626	112,083	66,936
	<u>87,967,964</u>	<u>80,949,466</u>	<u>73,450,084</u>	<u>85,926,334</u>	<u>115,923,865</u>
Expenses:					
Salaries and employee benefits	2,654,204	2,550,446	2,502,276	2,355,831	3,120,435
Legal fees	133,664	163,866	365,104	466,021	208,874
Accounting fees	20,400	22,600	19,828	18,150	31,400
Credit agreement commitment fee	1,925,112	2,107,570	2,471,200	1,050,000	1,052,135
Professional fees—other	92,418	126,212	144,580	101,730	233,044
Other:					
Assessment collection cost	13,729	9,976	13,401	19,373	23,439
Custody and bank fees	7,532	10,109	14,108	39,867	35,330
Depreciation and amortization	65,278	69,001	93,824	98,290	108,174
Directors fees and expenses	16,183	18,182	16,569	23,194	14,272
Insurance	14,837	15,518	16,802	21,908	18,885
Office supplies and expenses	110,465	154,517	127,055	138,464	118,980
Postage	16,060	15,969	17,639	21,539	17,982
Printing & mailing annual report	85,197	70,789	65,022	61,270	60,845
Publications and reference services	77,269	70,488	70,087	59,545	58,817
Rent—office space	577,489	557,832	527,910	499,831	459,323
Telephone	16,070	14,727	14,555	15,214	13,818
Travel and subsistence	56,637	83,766	87,127	149,072	153,089
Miscellaneous	10,023	9,077	10,789	18,987	4,510
	<u>1,066,769</u>	<u>1,099,951</u>	<u>1,074,888</u>	<u>1,166,554</u>	<u>1,087,464</u>
	<u>5,892,567</u>	<u>6,070,645</u>	<u>6,577,876</u>	<u>5,158,286</u>	<u>5,733,352</u>
Customer protection proceedings:					
Net advances to (recoveries from):					
Trustees other than SIPC:					
Contractual commitments		(1,115)	16,875	(170,044)	(19,733)
Securities	(2,135,933)	(1,845,530)	(89,117)	2,440,407	(7,174,535)
Cash	(2,582,615)	(3,654,454)	6,832,922	384,308	6,325,814
	<u>(4,718,548)</u>	<u>(5,501,099)</u>	<u>6,760,680</u>	<u>2,654,671</u>	<u>(868,454)</u>
Administration expenses	5,565,095	4,104,982	5,285,357	7,577,331	6,125,694
	<u>846,547</u>	<u>(1,396,117)</u>	<u>12,046,037</u>	<u>10,232,002</u>	<u>5,257,240</u>
Net change in estimated future recoveries	1,100,000	(7,200,000)	(1,000,000)	2,300,000	
	<u>1,946,547</u>	<u>(8,596,117)</u>	<u>11,046,037</u>	<u>12,532,002</u>	<u>5,257,240</u>
SIPC as Trustee:					
Securities	(1,125)	64,479	159,671	17,125	29,092
Cash	(467,608)	185,801	582,790	873,011	50,000
	<u>(468,733)</u>	<u>250,280</u>	<u>742,461</u>	<u>890,136</u>	<u>79,092</u>
Administration expenses	294,383	180,068	284,094	258,547	120,580
	<u>(174,350)</u>	<u>430,348</u>	<u>1,026,555</u>	<u>1,148,683</u>	<u>199,672</u>
Direct payments:					
Securities	435	16,632	60,296		174,164
Cash	74,712	69,357	22,542	80,000	131,290
	<u>75,147</u>	<u>85,989</u>	<u>82,838</u>	<u>80,000</u>	<u>305,454</u>
Administration expenses	29,854	4,482	17,137	1,230	3,546
	<u>105,001</u>	<u>90,471</u>	<u>99,975</u>	<u>81,230</u>	<u>309,000</u>
Net change in estimated cost to complete proceedings					
	<u>(600,000)</u>	<u>(12,000,000)</u>	<u>(1,900,000)</u>	<u>(3,900,000)</u>	<u>(13,500,000)</u>
	<u>1,277,198</u>	<u>(20,075,298)</u>	<u>10,272,567</u>	<u>9,861,915</u>	<u>(7,734,088)</u>
	<u>7,169,765</u>	<u>(14,004,653)</u>	<u>16,850,443</u>	<u>15,020,201</u>	<u>(2,000,736)</u>
Excess revenues	<u>\$80,798,199</u>	<u>\$94,954,119</u>	<u>\$56,599,641</u>	<u>\$70,906,133</u>	<u>\$117,924,601</u>