Annual Report
1983

SECURITIES INVESTOR PROTECTION CORPORATION

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

May 1, 1984

The Honorable John S. R. Shad
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 Thirteenth 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,

James G. Stearns
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)

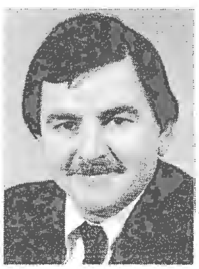
* Except those engaged exclusively in the distribution of mutual fund shares, the sale of variable annuities, the insurance business, furnishing investment advice to investment companies and insurance companies, and those whose principal business is conducted outside the United States.

Contents

Securities Investor Protection Corporation

Directors

James G. Stearns
Chairman



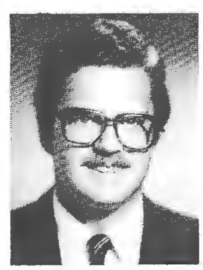
Roger A. Yurchuck, Esquire
Vorys, Sater, Seymour & Pease
Columbus, Ohio
Vice Chairman

David F. Goldberg,
Partner
Goldberg Securities
Chicago, Illinois

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

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

James W. Fuller
President
James Fuller & Company
San Francisco, California



Thomas J. Healey
Assistant Secretary for
Domestic Finance
Department of the Treasury
Washington, D.C.

Staff Officers

Theodore H. Focht
President & General Counsel

Michael E. Don
Associate General Counsel & Secretary

William H. Seckinger
Associate General Counsel

Lloyd W. McChesney
Vice President—Finance

John B. Bourne
Assistant Vice President—Finance

J. H. Moelter
Assistant Vice President—Finance

In Memory

Byron D. Woodside
SIPC's First Chairman

August 28, 1908–February 13, 1984

"Fame is a vapor, popularity an accident, riches take wings. Only one thing endures, and that is character."
HORACE GREELEY

Greeley's observation brings to mind SIPC's first Chairman, "Barney" Woodside. Mr. Woodside's distinguished public career, spanning over 40 years, and including seven as a Securities and Exchange (SEC) Commissioner, was mirrored by a highly principled private life. He has been aptly described as a man who had ". . . a true sense of duty to his fellow man, not a frivolous praise-seeking one. He used the fundamental principles of law for the protection of the ordinary man and this philosophy spilled over into his family and community life."

In January, 1971, President Nixon called on retired SEC Commissioner Woodside to setup and head the newly created SIPC. During his first weeks as SIPC's Chairman, he worked out of borrowed offices at the SEC to prepare SIPC to assume its responsibilities under the Securities Investor Protection Act of 1970. Within 120 days of the statute's enactment on December 31, 1970, a $75 million fund was established, the nucleus of a staff built and preparations made for a possible large liquidation, in addition to commencing a number of smaller customer protection proceedings for SIPC members that had failed. In those first months and years of SIPC's existence, he charted a course that is relevant today despite the many and profound changes in securities markets.

Mr. Woodside led SIPC to a successful start. Having accomplished that, in the fall of 1973 he elected to return to retirement. He described SIPC's position at that time in his letter of resignation to President Nixon:

> "SIPC is now a going concern and by the end of September will be well advanced toward the completion of its third year in business. At present we are engaged, through court appointed trustees, in the liquidation of more than 80 broker-dealer firms and the satisfaction of the claims of customers of those firms.
>
> "The ultimate role of the corporation and how it should be structured for a mission which probably is not yet clearly defined are matters which can only be determined in the months and years ahead. Much will depend upon the emerging changes occurring in the character and organization of our securities markets. In any event, SIPC's requirements as it grows in stature and maturity will be demanding, with much hard work ahead. Someone who can live with and help shape these coming events should take over what I believe promises to be a fascinating task."

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 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 36 includes the Chairman, the President and General Counsel and the Vice President-Finance who administer the Legal and Financial Departments. 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, "How SIPC Protects You," which is available in bulk from the Securities Industry Association, 120 Broadway, New York, N.Y. 10271, 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 number of significant actions taken in 1983 collectively provide a stronger foundation for SIPC and investor protection in coming years. In a complaint filed in United States District Court alleging a conspiracy to manipulate securities and claiming over $100 million in damages, SIPC served notice to those who would defraud the investing public and the SIPC Fund that the Corporation will vigorously protect investors and, ultimately, promote confidence in our free securities markets. Separately, the Board of Directors established the new corporate position of SIPC President, thereby helping ensure a quick and efficient staff response during the critical hours preceding initiation of a liquidation proceeding. Additionally, pursuant to the requirements of the Securities Investor Protection Act of 1970 (SIPA), assessments based on member gross securities revenue were reinstituted May 1, 1983. The SIPC Board has determined that such assessments will continue until the SIPC Fund aggregates to $300 million, a Fund balance consistent with investor confidence and the history of SIPC liquidations.

Multi-Million Dollar Suit

On July 22, 1983, SIPC filed a complaint in the United States Federal District Court in Los Angeles alleging a conspiracy to manipulate seven securities by 59 individuals including certain officers, employees and customers of two failed SIPC members. In the suit, SIPC claims actual damages in excess of $12 million and punitive damages exceeding $100 million.

The complaint followed the routine investigation of the demise of two failed members by SIPC staff and Eugene W. Bell, the court-appointed trustee for the liquidation of Joseph Sebag, Incorporated ("Sebag") of Los Angeles, California, and John L. Britton, the court-appointed trustee for the liquidation of First State Securities Corporation ("First State") of Miami, Florida. Such investigations are conducted as to each broker-dealer subject to liquidation under SIPA. The complaint alleges violations of antifraud provisions of securities laws and of the Racketeer Influenced and Corrupt Organizations Act.

The complaint alleges that, aided by insiders of seven securities issuers and certain traders and customers at the brokerage firms, stock was moved between accounts and firms, creating the appearance of volume and establishing an inflated price. This conspiracy was executed at the expense of the investing public, the estates of First State and Sebag, and SIPC, which has advanced over $12.5 million to protect Sebag and First State customers.

Focht Named SIPC President

With pleasure, I announce the Board's appointment of SIPC General Counsel Theodore H. Focht to the additional position of President. Ted Focht has served SIPC with distinction since the corporation's inception. As a special counsel for the Interstate and Foreign Commerce Committee of the U.S. House of Representatives, Ted was instrumental in drafting SIPA which, of course, created SIPC in 1970.

The new office of President will provide additional administrative continuity for SIPC. As President, Ted will be the Corporation's chief operating officer, and, for the first time, SIPC will have in place a straight line of administrative responsibility from staff to Board.

Assessments on Member Gross Securities Revenue

Over the last three years, the SIPC Fund has been called upon for some substantial sums. Well over $100 million has been advanced by SIPC for customer protection. This amount substantially exceeds the total advances made in the first ten years of SIPC's existence. Pursuant to SIPA and article 6 of SIPC's Bylaws, the Corporation determined that on April 13, 1983, the SIPC Fund balance aggregated less than $150 million. Accordingly, starting May 1, 1983 each SIPC member was assessed one quarter of one percent of its gross revenues from the securities business.

SIPC's assessment bylaw requires that such assessments remain in effect until the SIPC Board of Directors provides otherwise. The SIPC Board has reviewed in depth the Fund level and the question of the duration of such SIPC assessments. After considering many factors, including SIPC's experience with the liquidation of 168 members over the past 13 years, changes in the securities industry since SIPA's enactment, inflation, and the fact that the maximum SIPC advance for the protection of a customer's claim has increased tenfold since SIPA was first enacted, the Board decided unanimously to keep the present SIPC assessment provision in place until the Fund totals $300 million. In our collective judgment such a SIPC Fund level is in the best interests of the securities industry and the investing public.

At year-end, the Fund totaled $174.2 million. Based on current industry revenues, we project that assessments at the present rate will result in approximately $4 million of assessment revenues per month. Taking into account interest which SIPC will earn on its investments, as well as recoveries which we anticipate from earlier liquidations, we believe that the SIPC Fund may reach the $300 million level by late 1985 or early 1986. Obviously, that schedule will be affected by the number and size of new liquidations and future revenues from assessments and investments.

Most Costly SIPC Case

The 1983 liquidation of failed member Bell & Beckwith ("B&B") of Toledo, Ohio, illustrated the pressure on the Fund of recent liquidations. During the B&B liquidation, SIPC's most costly case, over $42 million was advanced to the trustee. Two additional cases in which SIPC has advanced more than $10 million were Stix & Co., Inc. with $27.6 million, and Joseph Sebag, Incorporated with $12 million. The advances in these three cases total $82 million, nearly half of SIPC's total advances of $171 million through December 31, 1983.

Knowledge of SIPC Studied

To assess awareness, knowledge of and experience with SIPC on the part of registered representatives, customers of SIPC members and the general public, SIPC's Board retained the services of Decision Making Information (DMI), a market research firm. DMI conducted three national telephone surveys of these groups, finding that 88 percent of registered representatives view SIPC's performance favorably with the dominant concern being the possible length of settlement time during a liquidation.

The results of the study are projectable to the entire population of each group and suggest that knowledge of SIPC might play a constructive role in investment decision-making. Some of the findings are summarized below.

- Of the general public, over half (57 percent) would be more likely to invest in securities if they were aware of protection against broker bankruptcy.
- Eighty-two percent of brokers and 42 percent of brokerage customers claim investors would be more likely to leave certificates with the broker in street name were they informed of SIPC protection.
- A large majority of brokers (86%) feel they will lose some customers as banks and S&Ls offer brokerage services.
- Over half the registered representatives (62 percent) and customers (59 percent) feel knowledge of insurance would favorably dispose consumers to select brokerage firms over other financial institutions.
- Thirty-eight percent of brokers feel the Federal guarantors (FDIC and FSLIC) predispose investors toward their regulated financial institutions.
- Among the general public, name recognition for SIPC (10 percent) falls far short of name recognition for FDIC (74 percent) and FSLIC (64 percent).
- Among investors who hold stocks and bonds, name recognition for FDIC (89 percent) and FSLIC (73 percent) is higher, but awareness of SIPC (12 percent) is comparable to the general public.

In addition to exploring awareness of SIPC, the DMI research also provided some data on investment patterns and media habits. The research is discussed in greater length on page 14 of this report and additional information may be obtained by contacting SIPC.

1983 SIPC Board Activity

The SIPC Board of Directors worked hard in 1983 to ensure the integrity of the SIPC Fund. The actions outlined above, as well as other matters, demonstrate the effectiveness of the marriage of private and public interests represented in our Board.

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 seven SIPC members in 1983, bringing the total since SIPC's inception to 168 proceedings commenced under SIPA. The 168 members represent 1 percent of the approximately 17,000 broker-dealers that have been SIPC members during the last 13 years. Currently, SIPC has 9,260 members.

The seven new cases compare with eight commenced in 1982 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 four of the cases commenced during the year, two are direct payment proceedings and SIPC serves as trustee in one. SIPC members for which customer protection proceedings were undertaken are:

Member	Date Trustee Appointed
Bell & Beckwith Toledo, Ohio	2/10/83
Lewis & Company Jackson, Mississippi	5/6/83*
Royer Securities & Co. West Caldwell, New Jersey	5/19/83*
MBD Investors, Inc. Enon Valley, Pennsylvania	5/27/83†
Gibralco, Inc. Santa Monica, California	6/22/83
Western Pacific Securities, Inc. Los Angeles, California	7/11/83
Hanover Square Securities Group, Inc. New York, New York	12/15/83

*Direct payment proceeding
†SIPC trusteeship

123 Proceedings Completed

Of the 168 proceedings begun under SIPA to date, 123 have been completed, 44 involve problem claims and/or litigation, and claims in 1 are being processed (See Figure 1).

During SIPC's thirteen-year history, cash and securities distributed for accounts of customers aggregated approximately $497 million. Of that amount, approximately $342 million came from debtors' estates and $155 million from the SIPC Fund (See Appendix III).

Table I shows that the 25 debtors for which net advances from the SIPC Fund of more than $1 million have been made accounted for about 81 percent of the total advanced in all 168 customer protection proceedings. The largest net advance in a single liquidation is $42 million for Bell & Beckwith. This exceeds the net advances in the 143 smallest proceedings.

In eight proceedings SIPC advanced $110 million, or 64 percent of net advances from the SIPC Fund for all proceedings.

Table I
Net Advances from the SIPC Fund
As of December 31, 1983
168 Customer Protection Proceedings

Net Advances From	Net Advances To	Number of Proceedings	Amounts Advanced*
$10,000,001	up	3	$ 82,058,454
5,000,001	$10,000,000	5	28,306,296
1,000,001	5,000,000	17	28,150,988
500,001	1,000,000	20	15,063,714
250,001	500,000	20	6,905,495
100,001	250,000	47	7,690,968
50,001	100,000	34	2,406,851
25,001	50,000	15	552,194
10,001	25,000	4	59,377
-0-	10,000	3	20,581
			$171,214,918

*Consists of advances for accounts of customers ($155,314,432) and for administration expenses ($15,900,486)

Claims over the Limits

Of the more than 160,000 claims satisfied as of December 31, 1983, a total of 299 were for cash and securities whose value was greater than the limits of protection by SIPA.

The 299 claims, a net increase of 39 during 1983, represent approximately two tenths of one percent of all claims satisfied. The unsatisfied portion of claims, $10.5 million, increased approximately $1.8 million during 1983. These remaining claims approximate 2 percent of the total value of securities and cash distributed for accounts of customers.

Figure 1
Status of Customer Protection Proceedings

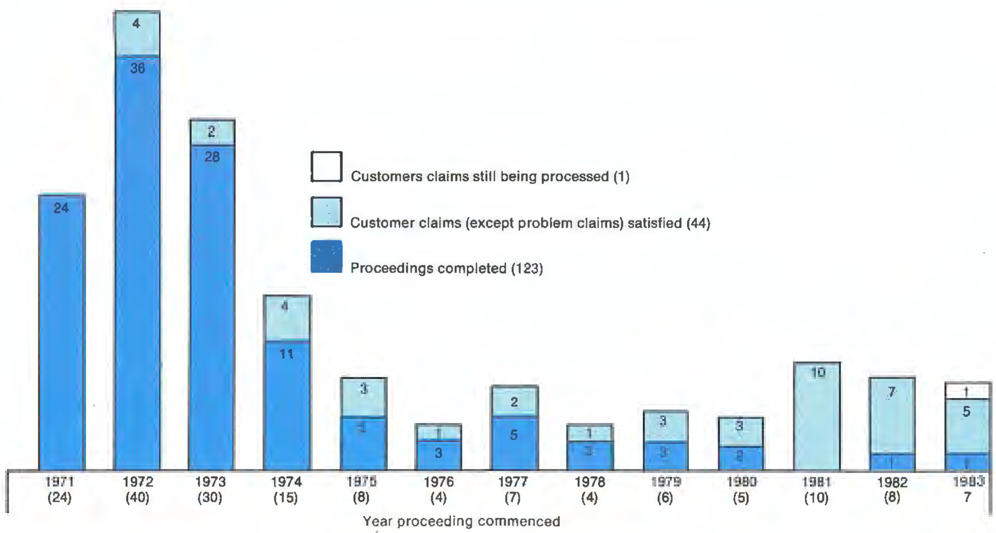
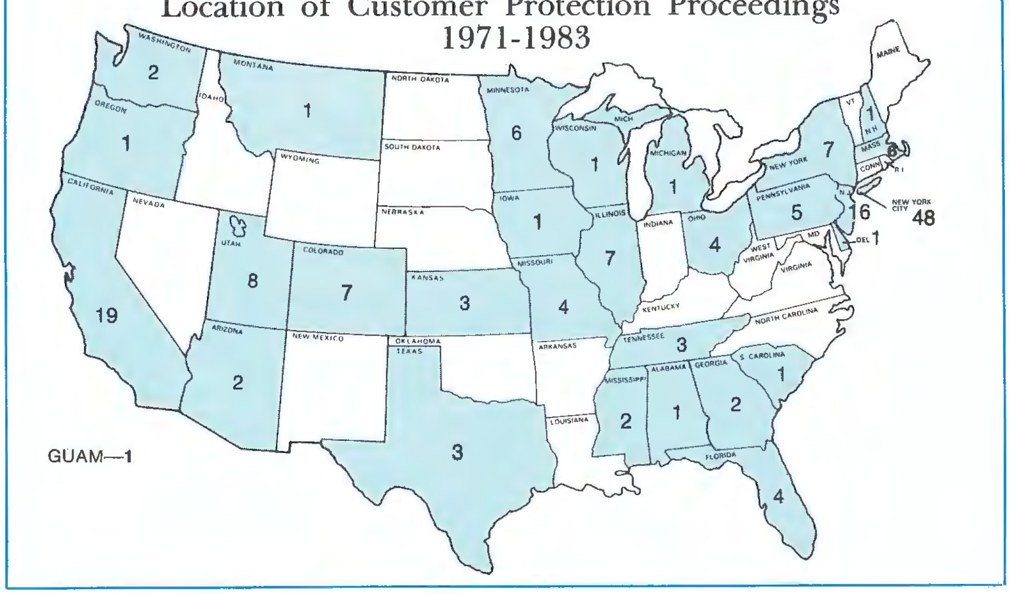


Figure 2
Location of Customer Protection Proceedings
1971-1983



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 1,178 members during the year brought the total membership to 9,260 at December 31, 1983. 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, 1983

Agents for Collection of SIPC Assessments	Added(a)	Terminated(a)	Total
National Association of Securities Dealers, Inc.	76	82	3,780
SIPC(b)	1,656	543	2,015
Chicago Board Options Exchange Incorporated	54	11	1,666
New York Stock Exchange, Inc.	18	26	897
American Stock Exchange, Inc.	27	2	434
Pacific Stock Exchange, Inc.	26	3	217
Philadelpiha Stock Exchange, Inc.	9	4	141
Midwest Stock Exchange, Inc.	1	2	85
Boston Stock Exchange, Inc.	—	—	22
Spokane Stock Exchange	—	—	3
	1,867	673	9,260

Notes:

a. Excluding transfers (1,919) 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, 1983, there were 578 members who were subjects of uncured notices, 385 of which were mailed during 1983 (154 in October), 116 during 1982 and 77 during the years 1974 through 1981. Subsequent filings and payments by 74 members left 504 notices uncured. SIPC has been advised by the SEC staff that: (a) 142 member registrations have been cancelled or are being withdrawn; (b) 37 are no longer engaged in the securities business and cancellations of their registrations have been recommended; (c) 17 are either to be recommended for administrative proceedings or otherwise resolved; and (d) 308 are being contacted by its regional offices or the affected examining authorities.

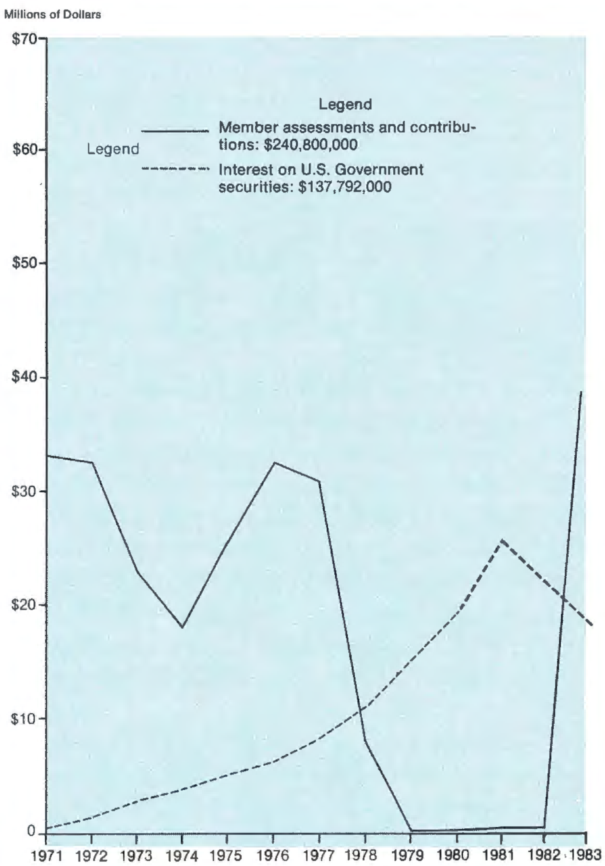
SIPC Fund

The SIPC Fund, consisting of the aggregate of cash and investments in United States Government securities, amounted to $174 million at year end, an increase of $1 million during the year. Tables III and IV present principal revenues and expenses for the years 1971 through 1983. The 1983 member assessments were $36.8 million and interest from investments was $18 million. During the period 1971 through 1977 and again in 1983, 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 1983, expenses of $32,044,000 consisted of customer protection proceedings costs of $28,817,000 and other expenses of $3,227,000.

[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 Thirteen Years Ended December 31, 1983

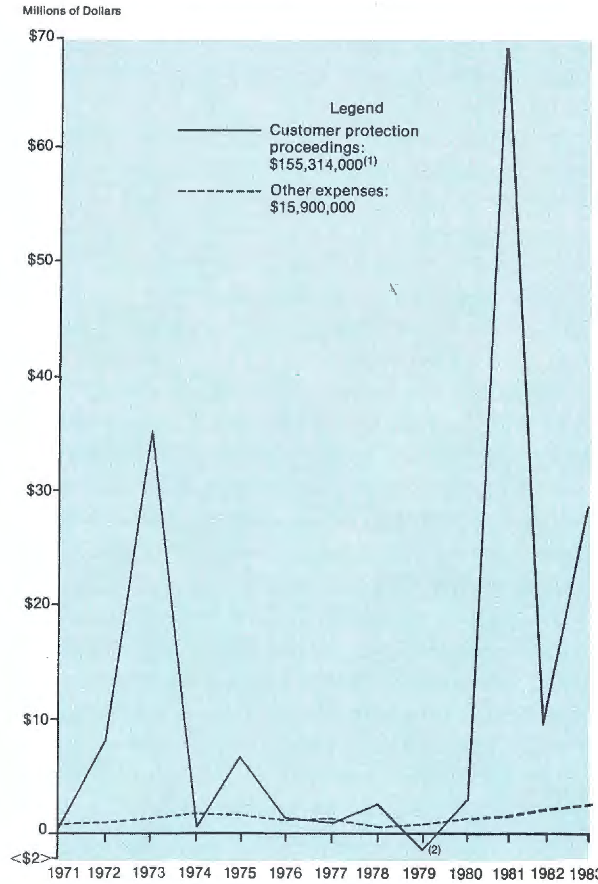


Member Assessments

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%*
1979-1982: $25 uniform annual assessment
1983: ¼ of 1%* effective May 1, subject to $25 minimum

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

Table IV
SIPC Expenses for the Thirteen Years Ended December 31, 1983



(1) Includes net advances of $150,914,000 and $4,400,000 of estimated costs net of estimated recoveries.
(2) Net recoveries.

Litigation

During 1983, SIPC was actively involved in litigation at both the trial and appellate levels. The more important court decisions are summarized below.

In *In re Application of Executive Securities Corporation; Executive Securities Corporation v. Doe*, 702 F.2d 406 (2d Cir. 1983), the court of appeals reversed the lower court's decision and held that a SIPC trustee is entitled to release of grand jury testimony, which he sought, in the Court's words, "to further the congressionally-mandated purpose of protecting the investors, who placed their assets with Executive Securities Corporation, and the SIPC, which insured those investors . . . Although not formally part of the federal government, the SIPC and its trustees vindicate important public interests."

In *Clay v. Traders Bank of Kansas City*, 708 F.2d 1347 (8th Cir. 1983), an action by the trustee to set aside a deed of trust as a voidable preference, the court of appeals agreed with the district court's ultimate finding that there was sufficient evidence establishing the debtor corporations' insolvency on the date of transfer and affirmed the district court's judgment setting aside the deed of trust.

In *Moline v. Brimberry (In re Stix & Co., Inc.)*, 27 B.R. 252 (Bankr. E.D. Mo. 1983), the district court entered judgment for the trustee for over $23 million against the debtor's former chief operating officer for his wrongful diversion of funds from the debtor. In addition, the court imposed a constructive trust upon real estate acquired by the officer.

In *SIPC v. Langheinrich & Fender, Inc.*, Civil No. C-81-0685-W (D.Utah, November 16, 1983), the district court affirmed the bankruptcy court's ruling and held that the claim of an issuer is not the claim of a "customer" under SIPA, where the claim was based solely upon the debtor's failure in performing investment banking services as an underwriter to remit to the issuer proceeds of sales of a new issue of securities.

In *Turner v. Gammill (In re G.S. Omni Corporation)*, Civil Action No. 83-JM-168 (D. Colo., June 16, 1983), an action to determine title to stock warrants, the district court affirmed the holding of the bankruptcy court that the warrants were not transferred to the debtor's principals before the filing date and, as a consequence, are the property of the debtor's estate and not subject to any claim of ownership by the principals.

In *In re Investment Bankers, Inc.*, 30 B.R. 883 (Bankr. D. Colo. 1983), an action to recover pre-filing date fees paid to the Debtor's attorneys, the bankruptcy court held that, where the trustee has waived the attorney-client privilege on behalf of the debtor corporation, the trustee has an absolute right to the production of the attorney's files and disclosure of all information pertinent to that representation.

In *Clay v. Perry (In re Perry, Adams and Lewis Securities, Inc.)*, 30 B.R. 845 (Bankr. W.D.Mo. 1983), an action by the trustee to recover certain transfers from former officers, directors, and shareholders of the Debtor corporations, the bankruptcy court held that the trustee could recover (i) loans made to the officers at low interest rates for unusually long terms and (ii) advances made to the officers. The court also held that the trustee could enforce the officers' commitments to make up any deficit in the Debtor's estate. The officers have appealed to the United States District Court.

In *In re John Muir & Co.*, 28 B.R. 946 (Bankr. S.D.N.Y. 1983), the bankruptcy court held that a claimant may not redeem stocks ordered but unpaid for on the filing date, where the claimant failed to pay for the stocks within sixty days after the publication of notice of the liquidation proceeding. In such a case, the claimant's satisfaction under SIPA was limited to payment of its net equity.

In *In re OTC Net, Inc.*, 34 B.R. 658 (Bankr. D. Colo. 1983), the bankruptcy court held that late-filed claims may share in a surplus of assets remaining after payment of administrative expenses and timely-filed claims.

In the Weis Securities, Inc. liquidation proceeding, the Weis trustee and SIPC, who had brought actions alleging an improper audit and certification of Weis' financial statements, reached a settlement with Touche, Ross & Co., Weis' pre-liquidation accountants. *Redington, SIPC v. Touche, Ross & Co.*, 13996/76 (S. Ct. N.Y. Co.).

In a complaint filed in July 1983, SIPC and the court-appointed trustees for the liquidation of Joseph Sebag, Incorporated of Los Angeles, California, and First State Securities Corporation of Miami, Florida alleged violations of the antifraud provisions of the securities laws and of the Racketeer Influenced and Corrupt Organizations Act and claimed actual damages in excess of $12 million and punitive damages of $100 million. The complaint, which named 59 individuals, 9 corporate entities related to them, and seven issuers of securities in which First State and Sebag made markets, alleged a conspiracy to manipulate those securities. *SIPC v. Vigman*, Case No. 83-4742 AWT (Tx) (C.D. Cal.).

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 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 1983, nineteen 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 64 of the 168 SIPC proceedings commenced since enactment of the Securities Investor Protection Act in December, 1970. A total of 170 indictments have been returned in federal or state courts, resulting in 139 convictions to date. As of December 31, 1983, trial or sentencing was pending against 24 persons who had been indicted or convicted.

Administrative and/or criminal action in 156 of the 168 SIPC customer protection proceedings initiated through December 31, 1983, was accomplished as follows:

Action Initiated	Number of Proceedings
1. Joint SEC/Self-Regulatory Administrative Action	40
2. Exclusive SEC Administrative Action	27
3. Exclusive Self-Regulatory Administrative Action	25
4. Criminal and Administrative Action	55
5. Criminal Action Only	9
Total	156

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

In the 147 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]	85	65
Bar from Association	281	169
Fines	Not Applicable	$546,500

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 $546,500 in fines assessed by self-regulatory authorities were levied against 51 associated persons and ranged from $250 to $100,000.

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 33 member firms referred under Section 5(a) during calendar year 1983. Twenty-five new referrals were received during the year and eight active referrals had been carried forward from prior years. Eleven of the 33 remained on active referral at year-end.

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

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

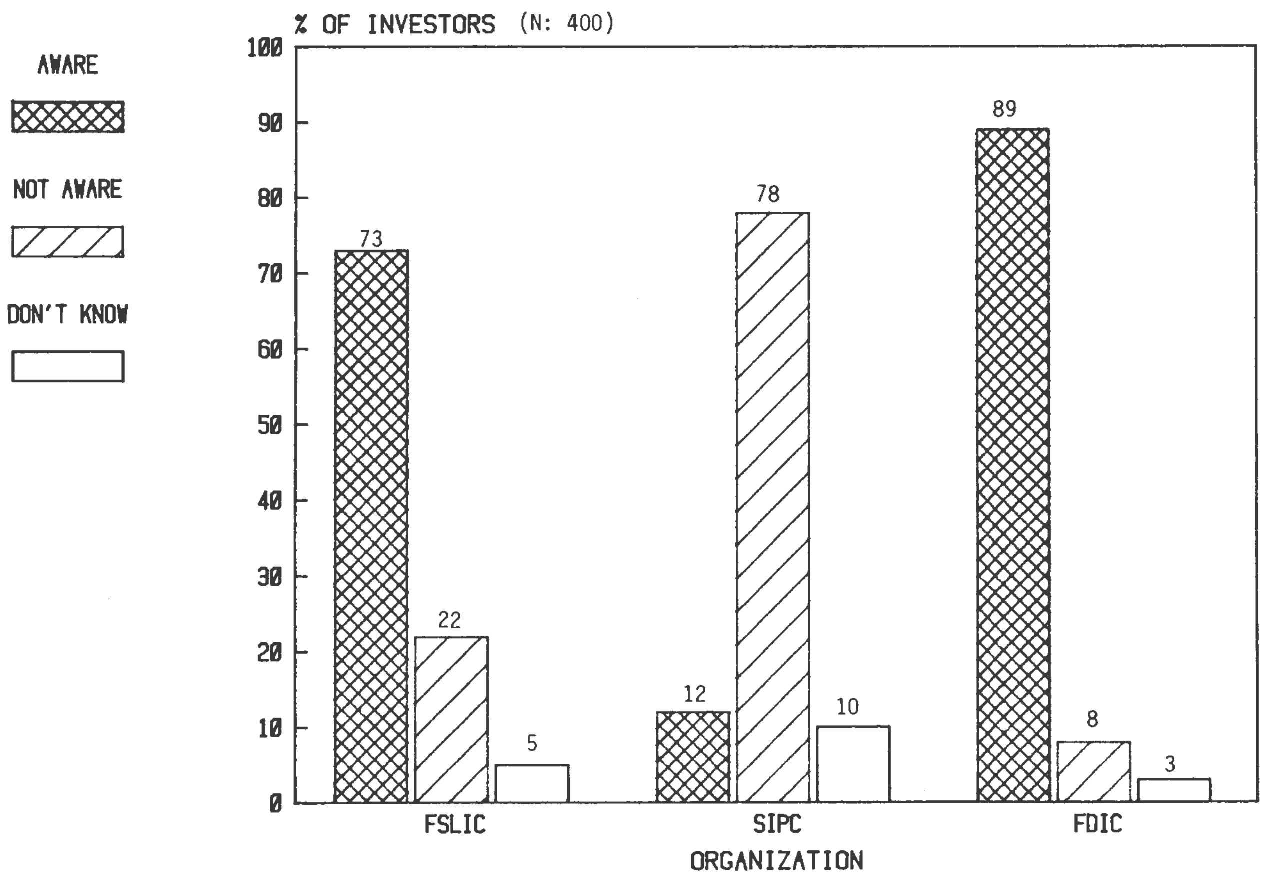
SIPC Image and Awareness Study

Executive Summary: Major Findings of Three Nationwide Telephone Surveys

Levels of Awareness, Knowledge and Experience

- Among the general public, name recognition for SIPC (10%) falls far short of name recognition for FDIC (74%) and FSLIC (64%).
- Only one in five (20%) American adults believes there is insurance protection on stocks and bonds purchased at a brokerage firm.
- Among investors who hold stocks and bonds, name recognition for FDIC (89%) and FSLIC (73%) is higher, but awareness of SIPC (12%) is comparable to the general public (see chart below).
- One-third of investors (33%) believe there is insurance protection on stocks and bonds; 14% have discussed insurance with a broker.
- Even among aware investors, experience with SIPC is limited:
  - —Only 18% have discussed SIPC with a broker.
  - —One-third have seen SIPC's brochure.
  - —Half recall seeing the logo.
  - —Only one respondent (2%) felt SIPC affected his investment decisions.
- Among registered representatives, awareness of SIPC (98%) is nearly universal.
- A majority of brokers (77%) report that their average customer understands that his accounts are insured.
- One-third of registered representatives have used or distributed the SIPC brochure.

Investor Name Awareness of Organizations



SOURCE: QS. 17 - 19. We are interested in different financial organizations that people know about. Just to check, have you ever heard of a financial organization called ... (ACRONYM AND FULL NAME) ... or not?

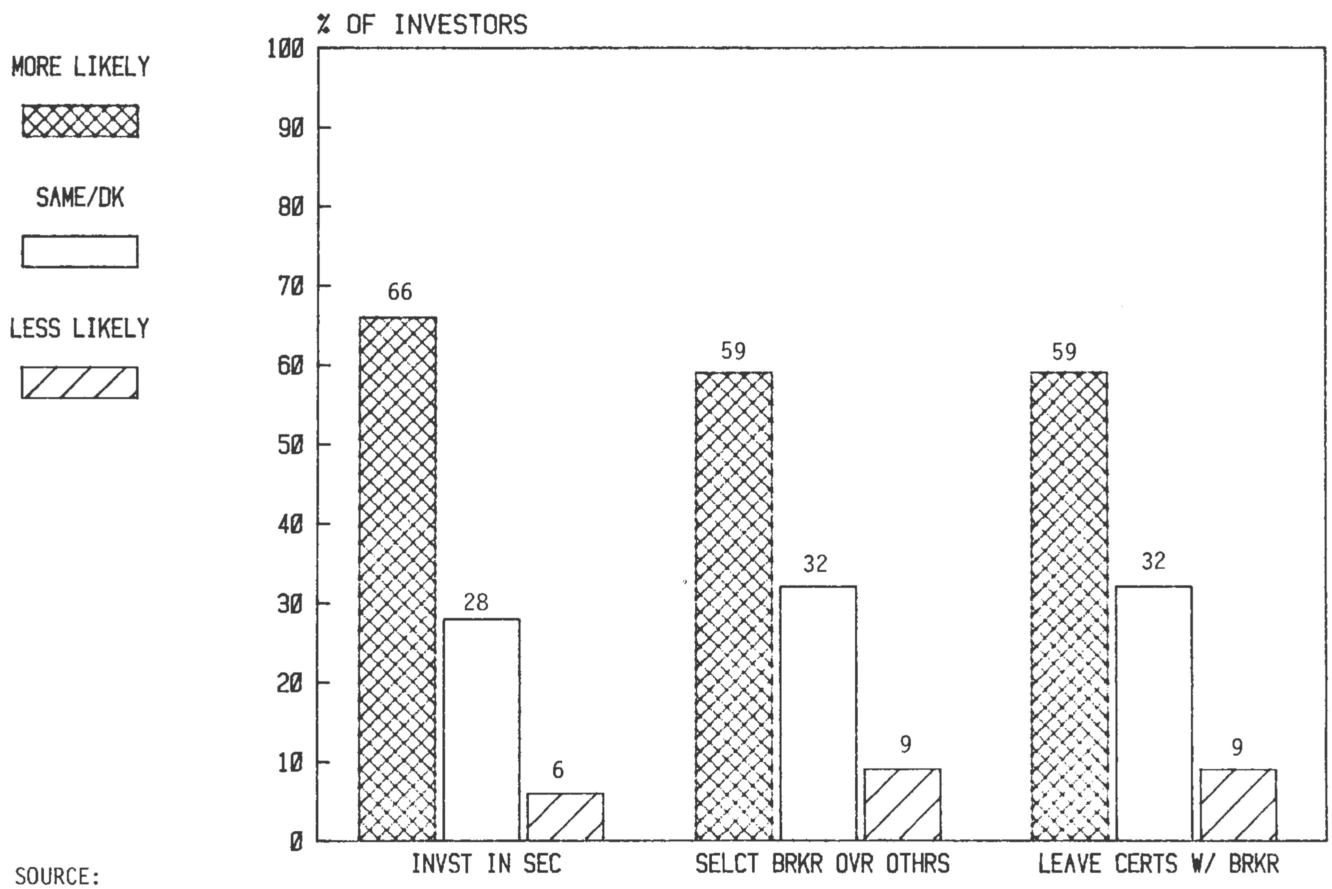
II. Attitudes and Perceptions of SIPC

- Impressions of SIPC are largely favorable (88%) among registered representatives.
  —SIPC is commended for building investor confidence, providing a service to brokers and having a good track record.
  —The dominant complaint is the length of the settlement time following a bankruptcy.
- Registered representatives ascribe fairly high marks to SIPC for stability (7.7) and dollar amount of protection (6.8), but only mediocre scores for timeliness (5.2) and efficiency (5.5) in settling post-bankruptcy accounts. (1-9 worst to best scale)
- Investors generally offer lower ratings for SIPC than registered representatives.
- Compared to FDIC and FSLIC, SIPC receives lower ratings among investors for all five attributes tested, particularly for timeliness in settling customer accounts after a bankruptcy.

III. Role of Insurance in Investment Decisions

- According to registered representatives, customers rarely (47%) or never (28%) ask about insurance protection.
- A large majority of brokers (86%) feel they will lose some customers as banks and S&Ls come to offer stock and bond brokerage services.
- Opinion is divided, however, among brokers regarding whether FDIC and FSLIC are factors in investor proclivity to use financial institutions instead of brokerage firms.
- Well over half of the investors agree that if they knew "brokerage accounts were protected against bankruptcy," that would increase their likelihood to (see chart below):
  —invest in securities (66%),
  —select a brokerage firm over other financial institutions (59%), and
  —leave certificates in broker custody (59%).
- Broker perceptions on how broader knowledge of SIPC might affect investor activity largely parallel these findings. In particular, brokers feel the tendency to leave certificates in "street address" would rise (82%).

Awareness of Protection Would Lead Investors To



SOURCE:
QS. 47, 48 and 49. If you knew that accounts at brokerage firms were protected against bankruptcy, would that make you more or less likely to . . .

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, 1983, 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, 1983, 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 29, 1984

Securities Investor Protection Corporation

Statement of Financial Condition

December 31, 1983

ASSETS

Cash	$ 193,555
Estimated member assessments receivable (Note 3)	13,000,000
U.S. Government securities, at amortized cost and accrued interest receivable ($5,953,455); (approximate market $174,600,000)	174,018,155
Advances to trustees for customer protection proceedings in progress, less allowance for possible losses ($125,607,004) (Note 4)	16,400,000
Other	113,638
	$203,725,348

LIABILITIES AND FUND BALANCE

Advances to trustees—in process (Note 4)	$ 289,543
Accounts payable and accrued expenses	619,653
Estimated costs to complete customer protection proceedings in progress (Note 4)	12,000,000
	12,909,196
Commitment (Note 5)	
Fund balance	190,816,152
	$203,725,348

Statement of Operations and Fund Balance

for the year ended December 31, 1983

Revenues:	
Member assessments (Note 3)	$ 36,763,866
Interest on U.S. Government securities	18,156,396
	54,920,262
Expenses:	
Salaries and employee benefits (Note 6)	1,296,849
Legal and accounting fees (Note 4)	1,147,370
Rent (Note 5)	306,300
Other	476,894
	3,227,413
Provision for estimated costs to complete customer protection proceedings (Note 5)	28,817,020
	32,044,433
Excess revenues	22,875,829
Fund balance, beginning of year	167,940,323
Fund balance, end of year	$190,816,152

See notes to financial statements.

Statement of Changes in Financial Position
for the year ended December 31, 1983

Cash provided from (used in) operations:	
Provided:	
Member assessments	$ 23,763,866
Interest on U.S. Government securities	17,052,217
	40,816,083
Used:	
Advances to trustees and direct payments, net of recoveries ($16,330,161)	(37,777,254)
All other expenses	(2,767,549)
	(40,544,803)
	271,280
Other uses of cash:	
Purchases of U.S. Government securities, net	(191,097)
Miscellaneous	(46,136)
Increase in cash	34,047
Cash, beginning of year	159,508
Cash, end of year	$ 193,555

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 $174,211,710.

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. Estimated member assessments receivable and assessment revenues

Pursuant to SIPA and SIPC's bylaws, when the SIPC Fund is less than $150,000,000 an assessment of ¼ of 1% per annum payable quarterly applies on each member's gross revenues from the securities business. Such assessment commenced May 1, 1983 and the SIPC Board determined that it will continue until the SIPC Fund reaches $300,000,000.

4. Customer protection proceedings

Customer protection proceedings (proceedings) include liquidations conducted by court appointed trustees and direct payment proceedings conducted by SIPC. There are 45 liquidations in progress at December 31, 1983. Customer claims, except problem claims, have been satisfied in 44 of these proceedings and in 1 proceeding 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. 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	$ 8,000,000	($12,800,000)
Add:		
Estimated future recoveries	24,700,000	
Provision for estimated costs to complete proceedings		(28,817,020)
Less:		
Recoveries estimated previously	(16,300,000)	
Advances to trustees and direct payments, net of estimated future recoveries ($24,700,000)		29,617,020
Balance, end of year	$16,400,000	($12,000,000)

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 ligitation 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. Commitment

SIPC occupies office space under a lease expiring December 31, 1987 and renewable for five years. Future minimum annual rentals, $294,888 for 1984 through 1987, aggregate $1,179,552. Additional rental based on increases, over 1981 levels, in operating expenses and real estate taxes, as well as increases over the November 30, 1982 level, in the Consumer Price Index are required by the lease. Rent expense for 1983 totalled $306,300.

6. Retirement Plan

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

As of January 1, 1984, the most recent actuarial valuation date, the market value of plan assets was $1,759,369, and the present value of accumulated plan benefits based on an assumed interest rate of 9 percent per annum, calculated in accordance with Statement No. 36 of the Financial Accounting Standards Board, was as follows:

Vested:	
Retired members and survivors currently receiving payments	$ 256,140
Other members	705,334
	961,474
Non-vested	110,768
	$1,072,242

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
MBD Investors, Inc. Enon Valley, Pennsylvania (SIPC)	9/21/73	5/27/83	5/27/83	53	46
TOTAL 1 MEMBER: PART A				53	46

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
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
Pacific Western Securities, Inc., Los Angeles, California (Edwin M. Lamb)	8/ 7/66	3/26/73	3/28/73	3,023	521
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.					
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 (John Addis)	3/ 9/55	9/17/74	9/18/74 4/12/83*	1,958	708

*Successor Trustee

Distributions From Debtors' Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
		$ 924,143	$ 6,444			$917,699	36
		$ 924,143	$ 6,444			$917,699	36
$ 54,889	8	1,140,300	69,312	$ 9,887	$ 72,846	988,255	253
131,585	45	180,454	99,989	27,604	16,034	36,827	33
814,261	491	616,341	402,358	24,044	16,368	173,571	233
1,800	1	419,431	283,226	59,071	33,710	43,424	45
360,006	276	1,558,458	435,943	18,163	980,074	124,278	361
183,776,183	32,000 (Estimated)	6,038,847			6,038,847		31,500 (Estimated)
776,386	12,572	3,535,886	1,229,504	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	972,499	33,939	38	811,405	127,117	284

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
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
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
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, Emery & 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
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
Gallagher, Boylan & Cook, Inc., Beverly Hills, California (Charles D. Axelrod, Esq.)	11/ 3/67	3/17/81	3/17/81 4/ 9/82*	3,000	1,363

*Successor Trustee

Distributions From Debtors' Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
$ 6,860	11	$ 368,433	$ 65,507		$ 210,609	$ 92,317	18
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	1,472,742	242,186		314,483	916,073	151
3,191,342	911	104,215			66,435	37,780	484
2,393,049	88	503,693			218,924	284,769	106
17,250	467	5,174,927	56,185			5,118,742	533
660	1	175,332	11,830		114,962	48,540	18
2,364,648	204	175,658			175,658		102
1,581,316	697	267,664	90,605		91,700	85,359	92
4,589,216	493	825,815	45,302		349,374	431,139	300
		1,151,670	528,955		570,123	52,592	13
		60,517	2,017		53,500	5,000	4
		88,472	28,472			60,000	1
3,000,000 (Estimated)	1,363	3,694,236	668,236		3,026,000		1,363

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
The Investment Bankers, Inc., Denver, Colorado (James H. Turner, Esq.)	10/23/80	7/10/81	7/15/81	2,500	1,939
First State Securities Corp., North Miami, Florida (John L. Britton, Esq.)	6/19/75	7/24/81	7/24/81	3,064	926
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	2,750
Stix & Co., Inc., St. Louis, Missouri (Harry O. Moline, Jr., Esq.)	3/12/70	11/ 5/81	11/ 9/81	5,200	3,500 (Estimated)
Morton Paul Kominsky, North Bergen, New Jersey (Richard D. Shapiro, Esq.)	2/13/70	12/18/81	12/18/81	424	76
A.E. Pearson, Inc. New York, New York (William J. Rochelle, III, Esq.)	10/13/76	1/13/82	1/13/82	115	8
Stalvey & Associates, Inc., Jackson Mississippi (Henry E. Chatham, Jr., Esq.)	2/18/78	2/18/82	2/18/82	229	52
T. E. Slanker Co., Inc., Portland, Oregon (Douglas M. Thompson, Esq.)	8/20/69	2/ 4/82	2/24/82	9,000	2,100
International Securities, Inc., Denver, Colorado (William D. Scheid, Esq.)	1/ 6/76	2/25/82	2/25/82	5,000	1,262
G. S. Omni Corporation, Denver, Colorado (James H. Turner, Esq.)	2/25/80	2/24/82	3/ 8/82	8,500	3,347
G.V. Lewellyn & Co., Inc., Des Moines, Iowa (Paul R. Tyler, Esq.)	3/30/81	4/ 8/82	4/15/82	600	50
OTC Net Inc., Denver, Colorado (Glen E. Keller, Jr., Esq.)	8/10/78	6/ 3/82	6/ 9/82	38,500	15,086

December 31, 1983

Distributions From Debtors' Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
$ 2,128,941	883	$ 5,662,441	$570,396	$ 64,870	$ 88,237	$ 4,938,938	1,189
5,179,230	214	888,813	88,841	60,804	329,980	409,188	214
15,245,632	2,417	12,020,877	310,076		5,181,095	6,529,706	1,328
25,964,581	16,000 (Estimated)	5,601,365	225,000		5,376,365		16,000 (Estimated)
6,271,715	2,053	5,828,716	50,000	281,936	2,405,930	3,090,850	3,495
1,531,773	2,267	1,018,997	355,161	3,558	180,768	479,510	1,307
		27,656,973			17,477,157	10,179,816	841
7,478	13	53,928	3,894		33,847	16,187	54
		144,064	46,908			97,156	5
		1,834,018	95,567		1,377,087	361,364	140
		187,976	59,981		127,995		
		132,606	105,751		10,479	16,376	29
3,707,691	2,447	1,336,214	664,569		12,024	659,621	526
16,227	4	973,091	316,055		391,048	265,988	23
15,575,600	12,858	1,413,032	923,244		39,788	450,000	

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
Bell & Beckwith, Toledo, Ohio, (Patrick A. McGraw, Esq.)	2/22/50	2/ 5/83	2/10/83	10,500	6,888
Royer Securities & Co., West Caldwell, New Jersey (Direct Payment)	8/ 3/79		5/19/83*	6	6
Gibralco, Inc., Santa Monica, California (Alexander C. McGivray, Jr., Esq.)	1/26/75	6/21/83	6/22/83	7,000	681
Western Pacific Securities, Inc. Newport Beach, California (Richard M. Neiter, Esq.)	7/23/79	7/1/83	7/11/83	450	110
Hanover Square Securities Group, Inc. New York, New York (James W. Giddens, Esq.)	7/21/77	12/8/83	12/15/83	29,500	300
TOTAL 44 MEMBERS: PART B				363,051	117,139

*Date notice published

Distributions From Debtors' Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
$ 869,685	189	$ 42,380,604				$42,380,604	6,523
		25,566	$ 44			25,522	4
		700,000	10,000		$ 400,000	290,000	810
		1,026,394	70,264		936,634	19,496	29
		1,291,118			1,291,118		2,700
$282,303,972	90,465	$141,108,427	$8,349,621	$592,799	$52,359,004	$79,807,003	79,068

APPENDIX I

Customer Protection Proceedings

PART C: Proceedings Completed in 1983

Member and Trustee By Date of Appointment	Trustee Appointed	Number of Customers For Whom Trustees Have Distributed Securities and Cash	Total
Douglas F. Brown Financial Services, Inc., Longview, Washington (James E. Newton, Esq.)	7/18/78	20	
Francis Eugene Mooney, Jr., d/b/a/ Bach Planning Co., Knoxville, Tennessee (SIPC)	5/23/79	15	$ 14,732
The Income Builders, Inc., Houston, Texas (Thad Grundy, Esq.)	1/ 6/82	10	
Lewis & Company, Jackson, Mississippi (Direct Payment)	5/6/83*	2	
TOTAL 4 MEMBERS 1983		47	14,732
TOTAL 119 MEMBERS 1973-1982[b]		52,102	69,784,796
TOTAL 123 MEMBERS 1973-1983		52,149	$69,799,528

*Date notice published

PART D: Summary

		Responses Received/ Customers Receiving Distributions	
Part A:	1 Member—Customer Claims and Distributions Being Processed by Trustee	46	
Part B:	44 Members—Customer Claims (Except Problem Claims) Have Been Satisfied	117,139	$282,303,972
	Sub-Total	117,185	282,303,972
Part C:	123 Members—Proceedings Completed	52,149[c]	69,799,528
	TOTAL	169,334	$352,103,500

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
		$ 280,478	$ 88,652		$ 580	$ 191,246
$ 14,732		246,443			71,264	175,179
		186,772	33,498			153,274
		47,246	24		41,921	5,301
14,732		760,939	122,174		113,765	525,000
59,294,794	$10,490,002	28,421,409	7,422,247	$ 828,738	11,507,416	8,663,008
$ 59,309,526	$10,490,002	$ 29,182,348	$ 7,544,421	$ 828,738	$11,621,181	$ 9,188,008
	(d)	$ 924,143	$ 6,444			$ 917,699
$282,303,972	(d)	141,108,427	8,349,621	$ 592,799	$52,359,004	79,807,003
282,303,972		142,032,570	8,356,065	592,799	52,359,004	80,724,702
59,309,526	$10,490,002	29,182,348	7,544,421	828,738	11,621,181	9,188,008
$341,613,498	$10,490,002	$171,214,918	$15,900,486	$1,421,537	$63,980,185	$89,912,710

APPENDIX II

Analysis of SIPC Revenues and Expenses for the Five Years Ended December 31, 1983

	1983	1982	1981	1980	1979
Revenues:					
Member assessments and contributions	$36,763,866	$ 282,096	$ 259,506	$ 154,169	$ 64,321
Interest on U.S. Government Securities	18,147,989	20,807,973	24,001,865	19,501,245	15,342,696
Interest on assessments	8,407	826	7,063	76	8,728
	54,920,262	21,090,895	24,268,434	19,655,490	15,415,745
Expenses:					
Salaries and employee benefits	1,296,849	1,195,920	1,113,512	1,069,755	1,009,117
Assessment collection direct costs	16,089	2,935	1,851	680	2,080
Legal fees	1,057,907	142,411	12,813	50,733	19,850
Accounting fees*	89,463	41,000	13,258	12,200	7,400
Other:					
Custodian fees	9,540	9,164	11,333	11,207	9,861
Depreciation and amortization	15,879	12,866	12,705	11,979	11,474
Directors fees and expenses	15,369	11,200	3,098	2,160	2,242
Insurance	9,297	9,792	11,265	8,284	8,597
Office supplies and expense	85,334	55,532	57,475	59,146	52,503
Postage	15,384	9,950	8,527	7,712	5,021
Printing and mailing annual and interim reports	20,663	16,322	16,735	15,601	12,715
Publications and reference services	32,701	19,334	16,930	16,376	10,725
Rent—office space	306,300	306,440	158,394	130,725	131,302
Telephone and telegraph	20,268	23,646	25,278	24,006	22,191
Travel and subsistence	104,323	135,786	118,220	44,556	36,446
Miscellaneous	132,047	9,831	14,977	10,127	8,375
	767,105	619,863	454,937	341,879	311,452
	3,227,413	2,002,129	1,596,371	1,475,247	1,349,899
Public information program consultant's fees	—	—	101,411	150,503	44,383
	3,227,413	2,002,129	1,697,782	1,625,750	1,394,282
Customer protection proceedings:					
Net advances to:					
Trustees other than SIPC:					
Contractual commitments (net recoveries)	(116)	277,399	47,195	(29,814)	(49,850)
Securities (net recoveries)	169,352	5,911,616	51,526,215	818,362	(6,000,106)
Cash	43,986,859	7,134,544	11,585,507	1,030,140	608,402
	44,156,095	13,323,559	63,158,917	1,818,688	(5,441,554)
Administration expenses	787,407	3,331,870	1,292,915	987,077	255,375
	44,943,502	16,655,429	64,451,832	2,805,765	(5,186,179)
Estimate of future recoveries	(16,200,000)	—	(10,000,000)	—	(1,500,000)
	28,743,502	16,655,429	54,451,832	2,805,765	(6,686,179)
SIPC as Trustee:					
Securities (net recoveries)	1,740	(289,315)	40,425	1,355,679	75,525
Cash	907,228	32,500	38,687	417,275	336,817
	908,968	(256,815)	79,112	1,772,954	412,342
Administration expenses (net recoveries)	91,738	62,718	(159)	19,695	1,449
	1,000,706	(194,097)	78,953	1,792,649	413,791
Estimate of future recoveries	(200,000)	—	—	(1,000,000)	—
	800,706	(194,097)	78,953	792,649	413,791
Direct payments:					
Securities	41,921	—	—	—	34,140
Cash	30,823	—	—	47,250	216,099
	72,744	—	—	47,250	250,239
Administration expenses (net recoveries)	68	(4,733)	—	—	1,330
	72,812	(4,733)	—	47,250	251,569
Net change in estimated costs to complete proceedings	(800,000)	(6,600,000)	15,400,000	(500,000)	4,500,000
	28,817,020	9,856,599	69,930,785	3,145,664	(1,520,819)
	32,044,433	11,858,728	71,628,567	4,771,414	(126,537)
Excess revenues (expenses)	$22,875,829	$ 9,232,167	($47,360,133)	$14,884,076	$15,542,282

*Includes fees and expenses of litigation related to proceedings (1983-$77,763, 1982-$25,000).

Distributions for Accounts of Customers For the Thirteen Years Ended December 31, 1983

(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
1982	28,442	9,359	37,801
1983	21,901	37,138	59,039
	$341,614	$155,314	$496,928

*Net recoveries.