SIPC

SECURITIES INVESTOR PROTECTION CORPORATION

FOURTH ANNUAL REPORT 1974

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SECURITIES INVESTOR PROTECTION CORPORATION
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WASHINGTON, D.C. 20006 • (202) 223-8400

April 14, 1975

The Honorable Ray Garrett, Jr.
Chairman
Securities and Exchange Commission
500 North Capitol Street, N.W.
Washington, D.C. 20549

Dear Chairman Garrett:

On behalf of the Board of Directors I submit herewith the Fourth Annual Report of the Securities Investor Protection Corporation pursuant to the provisions of Section 7(c)(2) of the Securities Investor Protection Act of 1970.

Respectfully,

Hugh F. Owens

Hugh F. Owens
Chairman

SECURITIES INVESTOR PROTECTION CORPORATION

DIRECTORS

		Term Expires December 31
Hugh F. Owens	Chairman	1976
Jerome W. Van Gorkom Vice Chairman	President, Trans Union Corporation Chicago, Illinois	1975
Glenn E. Anderson	President, Carolina Securities Corporation Raleigh, North Carolina	1975
Ralph D. DeNunzio	Chairman of the Executive Committee, Kidder Peabody & Co., Inc., New York, New York	1976
Henry W. Meers	Vice Chairman, White, Weld & Co., Chicago, Illinois	1974
J. Charles Partee	Managing Director for Research and Economic Policy, Board of Governors of the Federal Reserve System, Washington, D.C.	1977
Edward C. Schmults	Under Secretary, Department of the Treasury, Washington, D.C.	1976

STAFF OFFICERS

Theodore H. Focht
General Counsel—Secretary

Wilfred R. Caron
Associate General Counsel

John B. Bourne
Manager—Accounting & Assessments

Lloyd W. McChesney
Vice President—Finance

Eugene K. Snyder
Assistant Vice President—Finance

Thomas R. Cassella
Manager—Operations and Examination of Liquidations

Dr. John L. Peterman
Economist

INTRODUCTION

The Securities Investor Protection Corporation (SIPC) has its origins in the difficult years of 1968-70, when the paperwork crunch, brought on by unexpectedly high trading volume, was followed by the most severe decline in stock prices since the Great Depression. Hundreds of broker-dealers were merged, were acquired or simply went out of business. There were some which 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 (1970 Act). Its purpose is to afford certain protections against financial loss to customers of broker-dealers which fail and, thereby, to promote investor confidence in the nation's securities markets. Currently, the limits of protection are $50,000 per customer, except that claims for cash are limited to $20,000 per customer.

SIPC is a nonprofit, membership corporation. Its members are, with some exceptions, all persons registered as brokers or dealers under 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.

*Section 3(a)(2) excludes persons whose business as a broker-dealer consists exclusively of:

a. the distribution of shares of registered open-end investment companies or unit investment trusts,
b. the sale of variable annuities,
c. the business of insurance, or
d. the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts.

The SIPC staff, numbering 43, is composed of the Finance Department, headed by a Vice-President, and the Legal Department, headed by the General Counsel. Their functions include initiating the steps leading to the liquidation of a member, advising the trustee, his counsel and accountants; reviewing claims, auditing distributions of property and other activities pertaining to the Corporation's purpose.

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 on the securities business of SIPC members, interest on investments in Government securities and confirmed lines of credit. If the need arises, the Securities & 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 periodically report to SIPC concerning member broker-dealers who are in or approaching financial difficulty. If SIPC determines that the customers of a firm require the protection afforded by the Act, the Corporation initiates steps to have the member placed in liquidation. This requires that SIPC apply to a Federal District Court for the appointment of a trustee to carry out the liquidation.

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

A booklet, "Securities Investor Protection Corporation: A History and Explanation of Operations," is available from SIPC. It is a compilation of historical and explanatory material from previous annual reports and describes in some detail SIPC operations and the implementation of the 1970 Act.

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A MESSAGE FROM THE CHAIRMAN

In SIPC's fourth year of operations much of the work begun in the formative years came to fruition and important changes were mapped for the Corporation's future course as well.

Fifteen members were placed in liquidation, a marked decline from previous years. In 1973 the total was 30, in 1972 it was 40 and in 1971 it was 24. That this decline occurred despite a very difficult year for the industry is, we believe, attributable in large measure to the improvements in surveillance and examination systems of the regulatory organizations, and to the rules which increased capital requirements and which improved the requirements for safeguarding customer property promulgated by the Securities and Exchange Commission, all of which we strongly supported. The cooperative efforts of the self-regulatory organizations, the Commission and SIPC appear to be having a significant impact in this vital area.

The SIPC Fund resumed growing after a net decline in 1973 due principally to large advances in the Weis Securities case. The Fund balance as of December 31, 1974, stood at $95 million, a net increase of $10 million during the year. Net advances from the Fund during the year amounted to $643,000, down from the net of $35,000,000 advanced in 1973. Although more than $7,000,000 was actually paid out during the year, more than $6,000,000 in advances were recovered, chiefly from the trustee in Weis Securities, Inc.

While we were experiencing the welcome decline in new cases and the increase in the SIPC Fund, we were also working to improve customer protection. Acting on the recommendations made by a Special Task Force which I organized at the end of 1973, the Board of Directors submitted to Congress legislation to amend the 1970 Act. The amendments are designed to speed up the liquidation process, reduce costs and raise the limits of protection. A description of our proposals begin on page 6.

In the area of litigation a number of important decisions were made by the courts affecting the definition of "customer" under the 1970 Act as well as questions pertaining to open contractual commitments. In another decision having far-reaching implications, the appeals court held that SIPC's determination not to initiate a liquidation was subject to judicial review upon action taken by the affected member's customers. That decision has been appealed to the Supreme Court which has agreed to review it.

In November I completed my first year as Chairman, a period during which I saw SIPC continue to build on the firm foundation laid in prior years. The Corporation is stronger financially and in terms of its professional competence. With the adoption of the reforms the Board of Directors has recommended to Congress, I am confident SIPC's service to the investing public and the industry will be even more effective in the years to come.

Hugh F. Owens

LIQUIDATION PROCEEDINGS

A total of 15 members were placed in liquidation in 1974, bringing the number since SIPC's inception to 109. Fifteen is the smallest number of new cases in SIPC's four years of operation and this reflects a welcome continuation of the declining trend of the past three years.

The fifteen members were:

Member	Date Trustee Appointed
Howard Lawrence & Co., Inc. New York, N.Y.	1/11/74
Equidyne Salt Lake City, Utah	2/ 7/74
Parker-Jackson & Co., Inc. Salt Lake City, Utah	2/14/74
Harper Johnson & Co., Inc. New York, N.Y.	4/ 8/74
Memme & Co., Inc. New York, N.Y.	4/15/74
Christian-Paine & Co., Inc. **Carlton Cambrige & Co., Inc.** Hasbrouck Heights, New Jersey	4/18/74
London Securities, Ltd. New York, N.Y.	4/22/74
McMahon & Hoban, Inc. Chicago, Illinois	4/26/74
Seed Capital Corporation New York, N.Y.	5/ 6/74
Llorens Associates New York, N.Y.	7/ 1/74
Investment Securities Corporation Clayton, Missouri	7/ 8/74
Financial House, Inc. Detroit, Michigan	9/18/74
Dow Financial, Inc. Irvine, California	11/11/74
Henry C. Atkeison, Jr. d/b/a Ambassador Church Finance/ Development Group, Inc. and d/b/a Atalbe Christian Credit Association, Inc., Brentwood, Tennessee	12/17/74
Universal Underwriting Service, Inc. Salt Lake City, Utah	12/26/74

Christian-Paine & Co., Inc., is expected to be one of SIPC's more costly liquidations. The number of claims received - 7,845 - is less than only two other SIPC liquidations—Weis Securities, Inc., New York City, and J. Shapiro Co., Minneapolis. At the end of 1974 Christian-Paine ranked as the 15th largest in terms of advances made to trustees to satisfy customer claims and cover administration expenses, the combined amounts coming to $629,273.

Contributing to the cost and delay in this case is the fact that many records, including several thousand customer ledger cards, were missing when the trustee took possession of the premises. It was necessary to reconstruct customer account records from other sources before customer lists could be established and before legitimate claims could be validated.

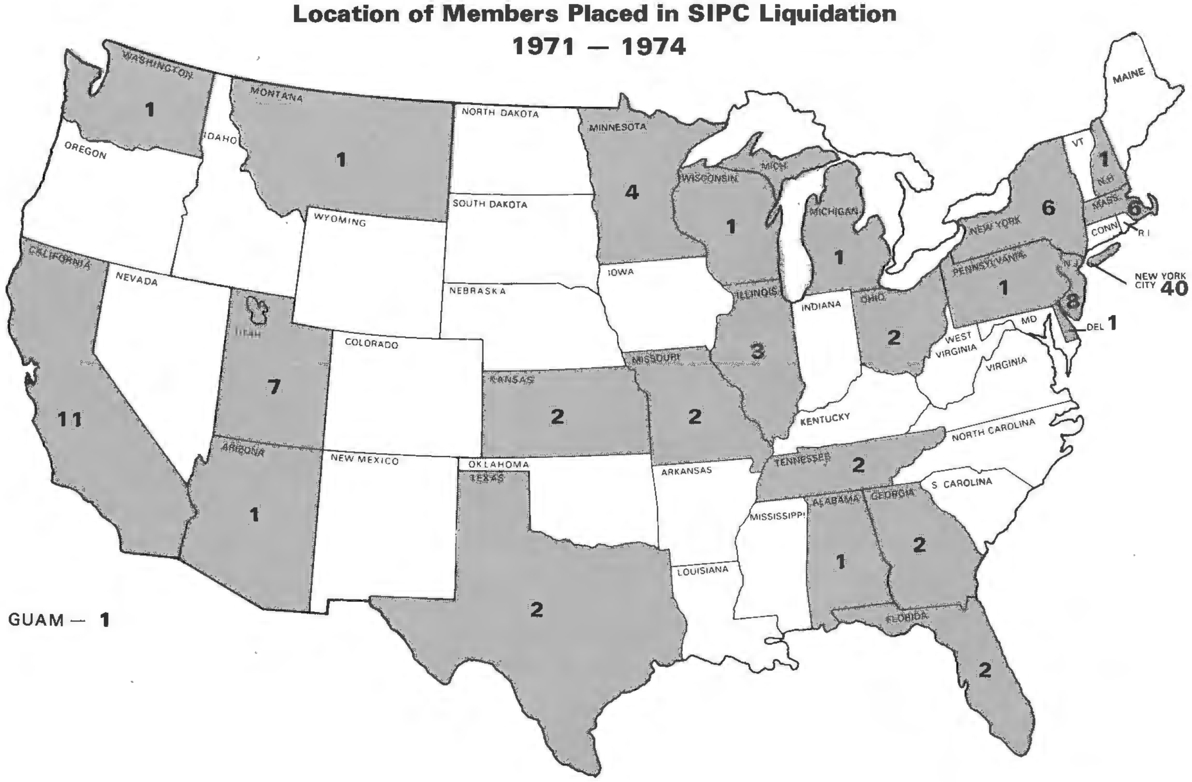
Six of the 15 liquidations begun during the year were substantially completed; that is, 90% or more of customer claims have been settled. In the other nine, assets were being marshalled, claims processed and customers being paid net equities or delivered specifically identifiable property. These nine are the only cases out of the total 109 which were not completed or substantially completed.

The value of securities and cash distributed for the accounts of customers of those 15 firms amounted to $3,140,000. In 1974, an aggregate of $21,360,000 in securities and cash was distributed to customers, bringing the four-year total to $241,000,000. Of that amount approximately $202,000,000 was derived from debtor estates and $39,000,000 from SIPC advances.

Claims over the Limits

As of December 31, 1974, a total of 97,230 customer claims had been received in the 109 liquidations. Of these, only 124 were claims for securities or cash whose value was greater than the limits of protection afforded by the SIPC legislation—$50,000 per customer for securities with a $20,000 maximum for cash. That is about one-tenth of one percent of all claims. The unsatisfied portion of these 124 claims amounted to $2.2 million, less than one percent of the value of all cash and securities distributed to customers. About 80% of all those claims would have been fully satisfied under the increase in the limits to $100,000 with a $40,000 maximum for cash claims which SIPC has proposed to Congress.

Location of Members Placed in SIPC Liquidation
1971 — 1974



Closed Cases

During the year 16 cases were completed, the trustees being discharged or partially discharged pending the completion of litigation. Added to the six cases closed in 1973, this brought the total of completed cases to 22.

The cost to the SIPC Fund of those 22 cases amounted to $2,640,253. Of this, $2,047,363 was used to satisfy customer claims, while $592,890 went to pay for administration expenses. An additional $703,429 in administration expenses came from the debtors' estates. The administration expenses per claim in the 22 closed cases came to $455.

This high cost of administration of liquidations is one target of the amendments to the 1970 Act the Board of Directors has proposed to Congress. Under the provisions of the proposed amendments, SIPC would be permitted to act as trustee in certain instances, and, in small cases, to settle claims directly without judicial procedures. In a survey of 20 SIPC liquidations made in connection with the Task Force study it was estimated that more than $250,000 could have been saved in administration expenses had the proposed changes been in effect.

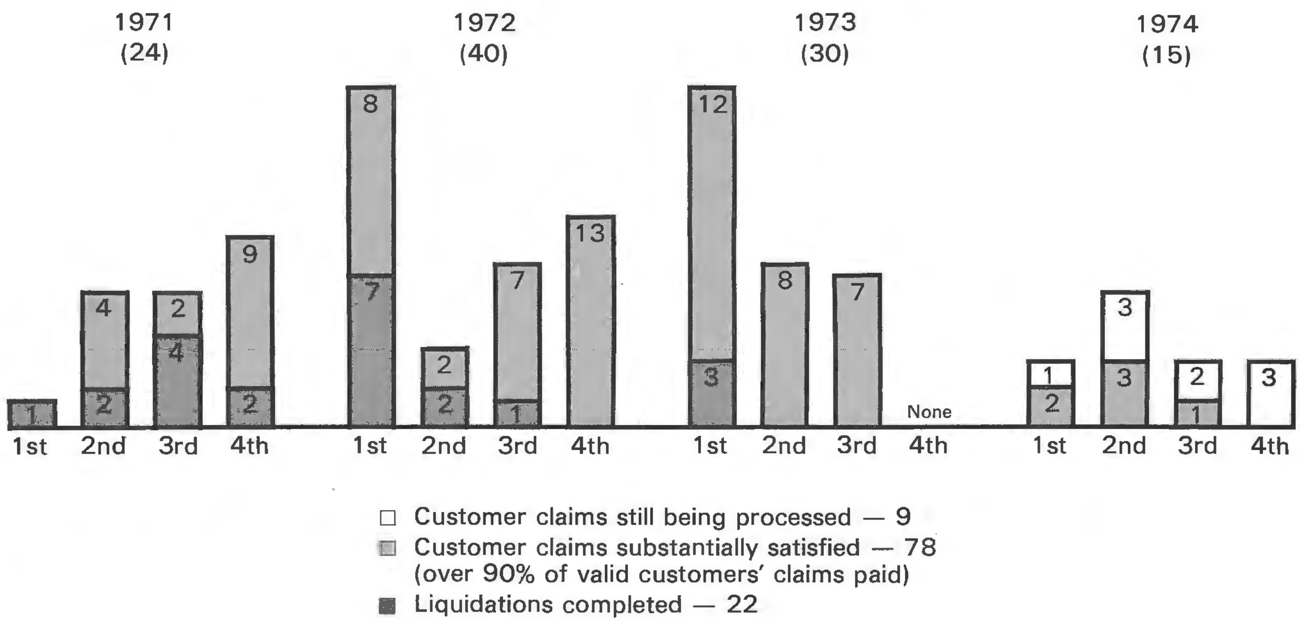
Weis Securities, Inc.

By far the largest liquidation SIPC has undertaken is that of Weis Securities, Inc., which failed in May, 1973. Of the $241,000,000 distributed to all customers in SIPC's four years of operations, $172,000,000 stems from Weis. It accounts for 34,000, or a third, of the 97,000 customer claims received in all cases. The cost to the SIPC Fund to satisfy customer claims stood at $16,470,000 at the end of the year.

During 1974, approximately $13,000,000 was distributed to Weis customers, reducing the number of unsettled claims to less than one percent of the total received. Since most of those claims, as well as other matters, are in litigation, it is not expected that the case will be closed at an early date.

Five principals of Weis Securities, guilty of a variety of offenses, were sentenced in September, 1974.

Trustees Appointed by Quarter and Status of Liquidation Proceedings



MEMBERSHIP, ASSESSMENTS AND THE SIPC FUND

Membership

As of December 31, 1974, the membership numbered 4,238. Table I reflects the number of members and their affiliation for purposes of collection of SIPC assessments at the end of the year, as well as the changes during the year.

The number of members increased in 1974 by 264, virtually all of which was attributable to the expansion of membership in the Chicago Board Options Exchange.

During the year there was a net decrease of 137 in the number of persons certifying that they met the membership exclusion provisions of the 1970 Act. This brought the total exclusions to 709 at year end.

Assessments

Revenues from assessments on members aggregated $18,027,633 in 1974, a decrease of approximately $5,000,000 from the previous year. This reflects $1,800,000

a. Excluding transfers (330) of persons to a successor collection agent.
b. SIPC is the collection agent and the SEC is the examining authority for brokers and dealers which are not members of any self-regulatory organization.

Table I
SIPC MEMBERSHIP
December 31, 1974

Agent for Collection of SIPC Assessments	Number of SIPC Members: Added [a]	Terminated [a]	Total
National Association of Securities Dealers, Inc.	161	280	1,685
New York Stock Exchange, Inc.	102	67	743
Chicago Board Options Exchange, Incorporated	312	50	579
SIPC (Securities and Exchange Commission only) [b]	112	98	386
PBW Stock Exchange, Inc.	58	13	255
American Stock Exchange, Inc.	56	18	217
Midwest Stock Exchange, Inc.	19	9	176
Boston Stock Exchange	7	6	77
National Stock Exchange	5	17	55
Pacific Stock Exchange, Inc.	2	4	51
Spokane Stock Exchange	-	-	11
Intermountain Stock Exchange	-	2	2
Detroit Stock Exchange	-	2	1
	834	566	4,238

in approved reductions in assessments of members of the American Stock Exchange to offset a 1971 contribution to the SIPC Fund and $3,200,000 due to the sharp drop in both stock prices and trading volume during much of the year.

Assessment revenues received and accrued for the periods since inception (December 30, 1970) through December 31, 1974 aggregated $103,000,000. Assessment revenues classified by principal collection agents are shown in Table II.

The SIPC Fund

The SIPC Fund consists of the aggregate of cash, investments in United States Government securities and confirmed lines of credit. At December 31, 1974, the Fund totaled $95,165,743. This represents an increase over December 31, 1973, of $10,380,000. The Fund resumed the growth it had enjoyed in the first two years of operation but which was reversed in 1973 due to the advances made in Weis Securities.

Table II
SIPC ASSESSMENTS (a)

SIPC Collection Agents to Whom Assessments Are Paid	1971(b)	1972(c)	1973	1974	Total
NYSE	$25,257,961	$27,725,356	$19,221,887	$15,065,938	$ 87,271,142
NASD	3,790,129	3,780,945	2,306,206	1,701,231	11,578,511
ASE	488,374	487,568	307,179	94,601	1,377,722
All other exchanges (d)	104,497	55,092	731,570	957,848	1,849,007
SIPC(e)	137,308	283,195	292,078	208,015	920,596
	$29,778,269	$32,332,156	$22,858,920	$18,027,633	$102,996,978

Notes:

a. The revenues do not purport to reflect the volume of business conducted on the respective exchanges or in the over-the-counter market.
b. Includes $5,669,180 initial assessments (based on 1969 gross revenues).
c. Includes $4,143,321 of 1971 revenues received in 1972 in excess of the December 31, 1971, accrual.
d. Other exchanges:
   Boston Stock Exchange
   Chicago Board Options Exchange Incorporated
   Detroit Stock Exchange
   Midwest Stock Exchange, Inc.
   National Stock Exchange
   Pacific Stock Exchange, Inc.
   PBW Stock Exchange, Inc.
   Spokane Stock Exchange
e. Received from persons who are not members of any exchange or the NASD.

Delinquencies

There were 300 persons subject to the 1970 Act who at year end were delinquent in filing reports and/or paying SIPC assessments and had received notices under Section 10(a).[1] This includes 92 to whom notices were mailed in December, 1974.

Past experience indicates that most of the broker-dealers who fail to correct their filing or payment deficiencies are those who have ceased operations. The SEC has indicated that the 1934 Act registration of broker-dealers who fail to correct their delinquency will be canceled or revoked, subject to any pending administrative proceedings. Additionally, the Commission is determining whether the affected exchanges have suspended their members who are not 1934 Act registrants and who are delinquent.

[1] Section 10a states, in part,"—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 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..."

A SPECIAL REPORT
PROPOSED AMENDMENTS TO THE SECURITIES INVESTOR

Several far-reaching changes of benefit to customers and members alike are contained in proposed amendments to the 1970 Act submitted to Congress by the Board of Directors.

The amendments stem from a report prepared by a Special Task Force organized by Chairman Owens to study the Securities Investor Protection Act of 1970 with a view to recommending better, faster, more efficient methods of achieving the investor protection envisioned by Congress when the Act was passed. The Task Force met periodically last year from January to July, when it presented its report to the Board of Directors.

Members of the Task Force were:

- Theodore H. Focht, SIPC General Counsel, Task Force Chairman
- Robert M. Bishop, Senior Vice President, New York Stock Exchange, Inc.
- Benjamin L. Lubin, Managing Partner, Bruns, Nordeman, Rea & Co.
- Robert J. Millstone, Special Counsel, Securities and Exchange Commission
- Edward S. Redington, Trustee for the liquidation of Weis Securities, Inc.
- Kenneth I. Rosenblum, Counsel to the Midwest Stock Exchange, Inc.
- James W. Walker, Jr., then Executive Vice President, American Stock Exchange, Inc.
- Frank J. Wilson, Senior Vice President, National Association of Securities Dealers, Inc.

During the course of its review the Task Force met with individuals and representatives of groups interested in various aspects of its work. Former SIPC Chairman Byron D. Woodside, officers of major New York banks, spokesmen for the major associations of stock transfer agents, officials of the Federal Deposit Insurance Corporation, staff personnel from the SEC, and a group of trustees and counsel appointed under the 1970 Act met with the Task Force to discuss problems of mutual interest. Written comments were invited from all trustees appointed under the Act and their counsel and from other parties having an interest in its study.

Task Force Results

The broad conclusions drawn from these meetings were that the 1970 Act is too inflexible to allow efficient solutions to the broad range of problems encountered in liquidations; that the wholesale incorporation of the Bankruptcy Act into the 1970 Act had created certain problems; that customer satisfaction had been a slower and costlier process than it need have been; and that the protection currently afforded customers should be increased in view of today's needs.

The Task Force formulated several basic policy determinations to guide it in drafting the specific recommendations: That SIPC should remain a liquidator; that broker-dealers in financial difficulty should continue to be liquidated rather than rehabilitated; that SIPC should have greater flexibility in order to achieve prompt satisfaction of customers' claims, better customer protection, and greater administrative economy; and that customer protection should be adequate to maintain investor confidence.

Upon approval of virtually all the recommendations by the Board, the report was translated into legislative form and sent to Congress.

The key provisions of the amendments are designed to meet the problems cited above. In broad terms they would speed up the liquidation process, make it possible to deliver accounts to customers as they were when the member went out of business (within the limits of protection) and increase the dollar limits of protection. A brief description of those key provisions and the purposes they are intended to accomplish follows.

Three Methods Recommended

Three different methods of satisfying customer claims would be permitted, instead of only the one provided for under the present law. Large cases would be handled much as they are now; that is, by a court-appointed trustee who is commonly a practicing attorney. Several improvements, however, which are discussed below, would be introduced.

PROTECTION ACT OF 1970

In medium-size cases SIPC would be permitted to act as trustee. These would be those in which it appears that the obligations to general creditors and subordinated lenders are less than $750,000 and there are fewer than 500 customers.

In smaller cases - those in which it appears that the claims of all customers will aggregate less than $250,000 - a third method would be available. SIPC would be allowed to make payments directly to customers if it appeared that such direct payments would cost SIPC less than following the court-appointed trustee method.

The latter two alternatives are intended to contribute to speeding up the process of satisfying customer claims and reducing costs. The framers of the 1970 Act had in mind the liquidation of large firms like Weis Securities, where there were 34,000 claims. They apparently did not contemplate that the bulk of SIPC cases would turn out to be the smaller members. Yet, whether a broker-dealer has 30 customers or 30,000, under the present statute the same judicial procedures have to be followed. Virtually everything a trustee does has to be sanctioned by the court, and in a small liquidation this is comparatively very costly.

In cases where a trustee is appointed - whether it be SIPC or someone outside the Corporation - the liquidation procedures would be substantially improved. Chief among these improvements would be that permitting the delivery of accounts to customers as they were when the member went out of business. Under the present law, the trustee is not empowered to replace securities which are, for a variety of reasons, missing. On these claims the customer receives cash in lieu of securities based on the price on the date the court is petitioned to appoint a trustee.[2] This inability to recover their accounts intact has been a principal complaint of customers.

The proposed amendments would permit the trustee to pay or guarantee bank loans collateralized by proprietary or customer securities, including securities hypothecated by virtue of margin agreements. They would also permit the trustee to purchase securities, with SIPC's approval, so long as that can be done in a fair and orderly market. Margin customers would be permitted to pay their debit balances and receive the securities in their accounts.

Bulk Transfers Proposed

Another major change in the law would empower the trustee to transfer accounts in bulk to other broker-dealers if SIPC determines that the cost would be less than carrying out the liquidation in the usual fashion, account by account. SIPC would guarantee that property available to the trustee will be delivered and that shortages in customers' accounts will be made good, up to the limits of protection provided by the Act. This procedure would give the customer quick access to the account. The customer would not, of course, be obligated to leave the account with the broker-dealer to whom the account was delivered.

In this connection it should be pointed out that bulk transfer is not always feasible. First of all, the failed member would have to have kept complete and accurate customer records and, unfortunately, records in many SIPC cases have ranged from poor to virtually non-existent. Second, the trustee has to be able to find other broker-dealers willing to take on the accounts, some of which may not be of the sort to interest other members.

Protections Would Be Increased

The limits of protection would be raised from the present $50,000 per customer, no more than $20,000 of which may be for cash, to $100,000, with a limit of $40,000 for claims for cash. This corresponds to the recent increases in protection afforded depositors by the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation.

Changes in the composition of SIPC membership are also proposed. Broker-dealers engaged exclusively in the sale of mutual

(continued on pg. 8)

2 Or a receiver, if one was appointed prior to the appointment of a SIPC trustee.

funds, unit investment trusts, variable annuities, or insurance or rendering investment advice to mutual funds or insurance company separate accounts are excluded from SIPC membership. The amendments call for the elimination of these exclusions on the grounds that, although those firms do not *hold* customer securities or funds, they do handle them. So the possibility of misappropriation exists. Additionally, floor members of the exchanges who also have no customers are required to be members on the theory that anyone who derives his livelihood from the securities industry ought to contribute to the building of the SIPC Fund. The amendments reflect the view that this philosophy ought to apply to others as well.

A companion recommendation has to do with assessments. At present, revenues from sales of mutual funds are not included in the base for assessments of members' payments into the SIPC Fund. SIPC, however, has advanced over $170,000 to satisfy claims for mutual fund shares. This fact demonstrates that the exclusion of mutual fund revenues from the assessment base ought to be ended.

The SIPC Board recognizes that there may be considerable opposition to ending the current exclusion of persons dealing exclusively in mutual funds and variable annuities, and to the extension of the assessment base to include revenues from sales of mutual funds. In view of this, the Board takes the position that, in the event Congress does not agree to these changes, an equitable alternative would be to specifically relieve SIPC of the responsibility to protect claims for mutual fund shares entirely.

SIPC would be given the authority to impose a minimum assessment on members to cover administrative costs of membership. For the first three years after enactment of the amendments, the amount would be $25; thereafter, it would be set by SIPC bylaw.

SIPC would also be empowered to promulgate rules relating to the liquidation process. This provision is designed to reduce the need for legislative action to make adjustments in the way the Act is implemented. It will also bring to bear SIPC's expertise and experience on liquidation procedures.

REFERRAL OF MEMBERS IN OR APPROACHING FINANCIAL DIFFICULTY

Section 5(a)(1) of the 1970 Act requires the Commission or the self-regulatory organizations to notify SIPC immediately upon discovery of facts which indicate that a broker-dealer subject to their regulation is in or approaching financial difficulty. The regulators fulfill this requirement through regulatory procedures which integrate inspection and reporting programs with an early warning procedure for notifying SIPC. The primary objective of these programs is the early identification of those members which are in or approaching financial or operational difficulty and the initiation of action necessary to protect customers.

The self-regulatory organizations generally continued to expand their field examination programs during the year and have revised their procedures to provide for more definitive and more frequent reporting of financial and operational data pertaining to members on Section 5(a) referral or under special surveillance.

SIPC maintained files on 198 Section 5(a) referrals during 1974. Ninety-two referrals were carried forward into 1974 from previous years; 106 new referrals were received during the year. Thirty-three members remained on referral status as of December 31, 1974.

In addition to those members formally referred under Section 5(a), SIPC also received periodic reports during the year from the Commission and the self-regulators identifying those members which, although not considered in or approaching financial difficulty, were subject to closer-than-normal surveillance as a result of their having exceeded certain pre-established financial or operational regulatory criteria.

DISCIPLINARY AND CRIMINAL ACTIONS TAKEN AGAINST PRINCIPALS AND ASSOCIATES OF MEMBERS PLACED IN LIQUIDATION

SIPC has forwarded to the SEC names of principals and others associated with members placed in liquidation for possible action under Section 10(b) of the 1970 Act.[3] The same names were submitted to the securities exchanges and the NASD for any appropriate action. The trustees for the members being liquidated also have cooperated with the SEC and law enforcement authorities by forwarding information about possible violations of law.

SEC investigations in SIPC liquidations have resulted in 29 individuals being charged with criminal violations in U. S. district courts to date. Seven individuals were also charged with criminal violations in the Supreme Court of the State of New York. Fifteen of the individuals involved in the Federal indictments have been convicted. The 36 persons charged with criminal offenses were principals or were associated with only 19 of the 109 members under liquidation as of December 31, 1974. Investigations now being conducted are expected to lead to additional indictments.

The Commission has barred 44 individuals from association with any broker or dealer and the NASD has barred 55 individuals from associating with its membership. Individuals barred by the SEC, the NASD or both represented 59 of the firms in SIPC liquidation. Proceedings now in progress could result in a number of additional individuals being barred or suspended from the securities industry.

[3] Section 10(b) of the Act provides as follows: "Engaging in Business After Appointment of Trustee.—It shall be unlawful for any broker or dealer for whom a trustee has been appointed pursuant to this Act to engage thereafter in business as a broker or dealer, unless the Commission otherwise determines in the public interest. The Commission may by order bar or suspend for any period, any officer, director, general partner, owner of 10 per centum or more of the voting securities, or controlling person of any broker or dealer for whom a trustee has been appointed pursuant to this Act from being or becoming associated with a broker or dealer, if after appropriate notice and opportunity for hearing, the Commission shall determine such bar or suspension to be in the public interest."

SIPC'S ROLE IN RELATION TO SECURITIES INDUSTRY REGULATION AND REPORTING

On October 10-11, 1974, SIPC sponsored its second annual conference of the self-regulatory organizations and the Commission. The conference heard addresses by Chairman Owens; Edward O'Brien, President, Securities Industry Association; and Charles B. Curtis, Counsel, Interstate and Foreign Commerce Committee of the House of Representatives. Mr. Owens discussed the recommendations of the Task Force appointed to consider amendments to the 1970 Act. Mr. O'Brien spoke on "The Future of the Securities Industry," and Mr. Curtis addressed the conference on "The Status of Securities Legislation."

The principal theme of the conference was the problems engendered by broker-dealers which "self-liquidate." The conferees also reviewed the problems which had been the subject of the 1973 Conference: examination procedures, communication, and early warning. Particular emphasis was placed on the member which continues to be reported month after month by the early warning systems. Several papers were read and were followed by productive discussions.

During the year the Commission's Rule 17a-19 and the related Form X-17A-19 became operative. SIPC had worked closely with the Commission in developing both the rule and the form which provide a uniform and efficient method of notifying all the affected self-regulatory organizations, the Commission, and SIPC, of change in membership, redesignation of examining authorities for compliance with financial responsibility rules and other vital information with respect to broker-dealers. The system has worked well since its inception.

Thomas R. Cassella of the SIPC staff is a member of the SEC's Report Coordinating Group (Advisory) whose purpose is to advise the Commission on such matters as eliminating unnecessary duplication in reporting requirements, promoting uniformity in reporting, reducing reporting requirements where feasible and developing a uniform key regulatory report. Some of the results of the group's work are expected to become effective in 1975.

As the Commission has evolved its Uniform Net Capital Rule (Rule 15c3-1), SIPC has from time to time commented upon various aspects of the Rule.

ADVERTISING AND PUBLIC INFORMATION

Advertising

SIPC's original advertising bylaw authorized the voluntary use of an official symbol and explanation of SIPC membership as the sole means by which SIPC members *may* advertise their membership. After receiving concurrence from the Securities Industry Association, the Board of Directors decided that, rather than an optional policy of advertising, a mandatory one would be in the public interest. Accordingly, it approved a proposed amendment to the bylaws which would *require* SIPC's members to display the SIPC official symbol at all principal and branch sales offices, and to include the official symbol or official advertising statement in all advertisements. The proposed amendment also contains new provisions for optional uses of the official symbol and statement.

The proposed amendment was submitted for comment to all members of SIPC. The comment period ended January 31, 1975, and the proposed bylaw is being redrafted by SIPC's staff to incorporate some of the comments and suggestions received. An amended bylaw is expected to be adopted in early 1975.

Public Information

Chairman Owens initiated a program to increase public awareness of SIPC protection. It relies principally on the avenues of communication already established with the public by the NASD and the Exchanges. These were augmented by speeches by Chairman Owens to conferences in various parts of the country, his appearance on the network television program, "Wall Street Week", and an article in the New York Stock Exchange's investor magazine, *Exchange*.

LITIGATION

The more significant developments in the courts concerning the interpretation and application of the 1970 Act during 1974 are set forth below.

Rights of "Customers"

In various procedural and factual contexts different courts have established the following principles:

1. A person who lends securities to a broker-dealer for the purpose of enabling the firm to relieve its "cash bind" through the use of proceeds realized upon the hypothecation of those securities is not a "customer" with a protected claim under the 1970 Act. The Act was not intended for the protection of persons having claims on account of securities which were not deposited in connection with some form of securities trading. *SEC & SIPC v. F. O. Baroff Company, Inc.*, 497 F. 2d 280 (2d Cir. 1974). Similarly, a deposit of cash with a broker-dealer to improve its capital position does not give rise to a claim protected by the 1970 Act, and the court will disregard efforts to disguise the deposit as one related to *bona fide* securities transactions. *SEC & SIPC v. Custodian Security Brokerage Corp.* 73 Civ. 975 (S.D. N.Y., filed Nov. 8, 1974).

2. The 1970 Act was intended to protect property actually entrusted by a customer to a broker-dealer; therefore, it does not afford protection to claims of customers with respect to transactions in which a customer's delivery of securities was either (i) refused by the broker-dealer or (ii) under particular circumstances had been made to another broker-dealer at the suggestion of the customer's broker-dealer. *SEC & SIPC v. Horizon Securities, Inc.*, 72 Civ. 5112 (S.D.N.Y., filed May 31, 1974); *SEC & SIPC v. Kenneth Bove & Co., Inc.*, 378 F. Supp. 697 (S.D. N.Y. 1974).

3. The 1970 Act does not protect a customer whose claim is predicated upon allegations that the purchase of securities was induced by the fraud of the broker-dealer. Although it does protect the customer claiming securities actually purchased, the customer's rights to damages based on fraud can be asserted properly only as a general creditor. *SEC & SIPC v. S.J. Salmon & Co., Inc.*, 375 F. Supp. 867 (S.D.N.Y. 1974); see also, *SEC & SIPC v. J. Shapiro Co.*, 473 Civ. 212 (D. Minn., filed May 8, 1974); *SEC & SIPC v. North American Planning Corporation*, 72 Civ. 3158 (S.D.N.Y., filed July 19, 1974).

4. The provision in the 1970 Act, that a customer's claim shall not be allowed unless filed within the prescribed six-month period, does not apply to claims for securities which are registered in the customer's name or individually segregated for him. Such claims may only be barred by order of the court. *SEC & SIPC v. Teig Ross, Inc.* 473 Civ. 107 (D. Minn., filed April 1, 1974).

5. The 1970 Act was intended to protect innocent persons. It does not protect persons who were involved in the manipulation of the securities which are the subject of a claim. *SEC & SIPC v. Kelly, Andrews, & Bradley, Inc.*, 385 F. Supp. 948 (S.D.N.Y. 1974); see also, *SEC & SIPC v. Packer, Wilbur & Co., Inc.*, 362 F. Supp. 510 (S.D.N.Y. 1973), *aff'd* 498 F. 2d 978 (2d Cir. 1974).

Open Contractual Commitments

To date, the courts have recognized the need for strict compliance with the provisions of the 1970 Act which authorize the completion of certain open contractual commitments between the broker-dealer in liquidation and other broker-dealers. In 1974 it was held that:

1. The 1970 Act does not authorize the completion of an open contractual commitment where the customer on the other side would not have been entitled to the protection afforded customers by the 1970 Act. Thus, protection was denied to a broker-dealer claimant where its customer was not entitled to protection because of his violations of federal securities laws. *SEC & SIPC v. Packer, Wilbur & Co., Inc.*, 498 F. 2d 978 (2d Cir. 1974).

2. A contract does not qualify as a protected open contractual commitment unless it was "outstanding" on the filing date. Thus, completion was denied when the contra broker-dealers closed out the transactions prior to the filing date. *SEC & SIPC v. Kelly,*

Andrews, & Bradley, Inc., supra. Similarly, only contracts wholly executory on the filing date can qualify for protection as open contractual commitments. Completion under the 1970 Act was, therefore, denied where one side of a transaction was completed by the contra broker-dealer via delivery of securities in exchange for checks which were later dishonored. *SEC & SIPC v. Packer, Wilbur & Co., Inc., supra*.

3. The 1970 Act was not intended to authorize the completion of transactions between broker-dealers which remain open on the filing date only because the contra broker-dealer failed to close out the transaction within a reasonable time and mitigate his loss in accordance with applicable rules. In the court's words the 1970 Act should not be interpreted to allow broker-dealers to "sit back and come to SIPC for payment." *SEC & SIPC v. Kelly, Andrews, & Bradley, Inc., supra*.

Miscellaneous

In 1974 there were two decisions of considerable importance in which SIPC's positions were not sustained.

1. The U.S. Court of Appeals for the Sixth Circuit held, among other things, that the customers of a member of SIPC have an implied right of action under the 1970 Act to obtain judicial review of SIPC's determination not to initiate a liquidation proceeding under the 1970 Act. *SEC v. Guaranty Bond and Securities Corp.*, 496 F. 2d 145 (6th Cir. 1974). Upon SIPC's petition, which was supported by the Securities and Exchange Commission, the U.S. Supreme Court has agreed to review that determination. *SIPC v. Barbour*, 95 S. Ct. 172 (1974). SIPC's position is that the public interest is served by the clear decision of Congress, as specifically implemented in the 1970 Act, that only the SEC may seek the extraordinary remedy of judicial review of SIPC's discretionary determination.

2. The U.S. Court of Appeals for the Second Circuit held that in a proceeding under the 1970 Act a district judge has the same latitude and discretion to award reasonable compensation to trustees and their counsel as he does in a reorganization proceeding under Chapter X of the Bankruptcy Act. The court upheld the district judge's substantial reduction of the compensation sought by the trustee and his counsel, which had already been reduced at SIPC's request. The court declined to give special weight to SIPC's recommendations supporting the modified request of the trustee and his counsel. SIPC had urged that in "no-asset" cases such as the one before the court, where an award of fees would not affect general creditors, its recommendations should be adopted by the court unless clearly so excessive as to require judicial intervention. *SIPC v. Charisma Securities Corporation*, 506 F.2d 1191 (2d Cir. 1974) L. Rep. ¶94, 878.

FINANCIAL STATEMENTS

ACCOUNTANTS' REPORT

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

We have examined the statement of financial condition of Securities Investor Protection Corporation as at December 31, 1974 and 1973, and the related statements of operations and fund balance and of changes in financial position for the years 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.

As set forth in Note 4 to the financial statements, the liquidation costs to be incurred in subsequent years for liquidations in progress are not presently determinable; accordingly, no amounts have been provided therefor in the accompanying financial statements.

In our opinion, subject to the effect of the matter discussed above, the aforementioned financial statements present fairly the financial position of Securities Investor Protection Corporation as at December 31, 1974 and 1973, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

S. D. LEIDESDORF & CO.

New York, N. Y.
February 28, 1975

SECURITIES INVESTOR PROTECTION CORPORATION

STATEMENT OF FINANCIAL CONDITION
December 31, 1974 and 1973

	1974	1973
ASSETS		
Cash:		
Operating and collection accounts	$ 119,268	$ 72,253
Compensating balances (Note 2)	3,500,000	4,500,000
	3,619,268	4,572,253
Estimated member assessments receivable (Note 3)	4,900,000	6,000,000
U.S. Government obligations, at amortized cost and accrued interest receivable (1974 - $264,816, 1973 - $75,617); (approximate market 1974 - $56,821,000, 1973 - $35,101,000)	56,546,475	35,213,379
Furniture and equipment, at cost, less accumulated depreciation (1974 - $21,646, 1973 - $10,753), and leasehold improvements at amortized cost	90,939	67,842
Advances to trustees for liquidations in progress, less allowance for possible losses (1974 - $42,048,655, 1973 - $43,266,838) (Note 4)	—	—
Other	785	1,453
	$65,157,467	$45,854,927
LIABILITIES AND FUND BALANCE		
Advances to trustees - in process (Note 4)	$ 18,468	$ 371,094
Accounts payable and accrued expenses	85,075	73,320
	103,543	444,414
Commitments (Notes 2 and 4)		
Fund balance	65,053,924	45,410,513
	$65,157,467	$45,854,927

STATEMENT OF OPERATIONS AND FUND BALANCE
for the years ended December 31, 1974 and 1973

	1974	1973
Revenues:		
Member assessments (Notes 3 and 5)	$18,027,633	$22,858,920
Interest on U.S. Government obligations	3,914,782	2,771,131
Interest on assessments	16,311	10,938
	21,958,726	25,640,989
Expenses:		
Administrative:		
Salaries and employee benefits	1,007,081	799,540
Credit agreement commitment fee (Note 2)	189,931	240,625
Legal and accounting fees	108,511	64,701
Rent	91,903	45,227
Other	275,012	274,531
	1,672,438	1,424,624
Provision for possible losses on advances to trustees, net of recoveries (1974 - $6,796,342, 1973 - $56,630) (Note 4)	642,877	35,461,348
	2,315,315	36,885,972
Excess revenues (expenses)	19,643,411	(11,244,983)
Fund balance, beginning of year	45,410,513	56,655,496
Fund balance, end of year	$65,053,924	$45,410,513

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
for the years ended December 31, 1974 and 1973

	1974	1973
Cash provided from (used in) operations:		
Provided:		
Member assessments	$19,127,633	$24,168,920
Interest on U.S. Government obligations	3,424,706	2,461,070
Interest on assessments	16,311	10,938
	22,568,650	26,640,928
Used:		
Administrative expenses	(1,647,243)	(1,445,320)
Advances to trustees, net of recoveries (1974 - $6,796,342, 1973 - $56,630)	(995,503)	(35,669,913)
	(2,642,746)	(37,115,233)
	19,925,904	(10,474,305)
Other sources (and uses) of cash:		
U.S. Government obligations:		
Purchases, net	(20,843,020)	—
Sales, net	—	9,554,980
Miscellaneous, net	(35,869)	(28,376)
Decrease in cash	(952,985)	(947,701)
Cash, beginning of year	4,572,253	5,519,954
Cash, end of year	$ 3,619,268	$ 4,572,253

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Securities Investor Protection Corporation (SIPC) was created by an Act of Congress on December 30, 1970, primarily for the purpose of providing protection to customers of its members. SIPC is a non-profit 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 the Act.

2. Lines of credit

Under a provision of the 1970 Act, SIPC entered into an agreement dated April 14, 1971, and expiring on October 13, 1976, with certain banks which extended confirmed lines of credit in an aggregate amount of $65,000,000. A 10/65th portion of the original commitment, to the extent not theretofore availed of, expires annually on the first day of April. Accordingly, at December 31, 1974, SIPC has confirmed lines of credit with banks in an aggregate amount of $35,000,000. The Act requires a phase out of confirmed lines of credit when the balance of the "SIPC Fund" (as defined by the Act) aggregates $150,000,000. At December 31, 1974 and 1973 the SIPC Fund was as follows:

	1974	1973
Cash	$ 3,619,268	$ 4,572,253
U.S. Government obligations, at amortized cost and accrued interest	56,546,475	35,213,379
Confirmed lines of credit	35,000,000	45,000,000
	$95,165,743	$84,785,632

Pursuant to the April 14, 1971, agreement, SIPC has agreed to maintain compensating cash balances equal to 10% of the confirmed lines of credit and to pay a fee of 1/2 of 1% per annum on the average daily unused portion thereof to each bank.

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

3. Estimated member assessments receivable and assessment revenues

Annual general assessments are payable quarterly at the rate of 1/2 of 1% per annum on gross revenues from the securities business. SIPC members are allowed to make quarterly payments based upon the previous year's gross revenues. Annual general assessment reconciliation forms must be filed and underpayments for any year are due within 120 days after December 31. Overpayments for any year may be credited against future assessments.

4. Advances to trustees and commitments

Trustees had been appointed under the Act for 109 SIPC members as of December 31, 1974, 15 of which were appointed during 1974 and 30 during 1973. Trustees had been discharged or partially discharged by the courts for 16 of the liquidations in 1974 and 6 in 1973. Because of inadequate and incomplete books and records of many of these members, data presently available from the trustees for liquidations in progress are inconclusive and no determination of the amounts which will be required for advances to satisfy customer claims, or for the liquidation expenses which will be incurred in these cases, is possible at this time; accordingly, no provision has been made therefor in the accompanying financial statements.

Advances to trustees for liquidations in progress represent net amounts disbursed and amounts currently payable. SIPC has adopted the policy of providing a 100% allowance for all advances to trustees. Amounts of unexpended advances, as well as any expended advances for which SIPC has subrogated rights, may be recovered by SIPC. Recoveries are applied upon receipt as a reduction of the advances to trustees and the allowance for possible losses on advances. Amounts which subsequently may be returned are not presently determinable.

5. Contribution from a prior trust

In 1971, the American Stock Exchange, Inc., contributed $3,011,925 from a special trust fund. Under a plan approved in 1974, members used approximately $1,800,000 of the $3,011,925 to reduce their assessments otherwise due for the year 1974. Substantially all of the balance is expected to be used during 1975.

6. Retirement Plan

SIPC has a voluntary, contributory retirement plan for employees. SIPC's policy is to fund pension expense accrued. Pension expense for 1974 was $35,900; the expense for 1973 was $44,700.

APPENDIX I

MEMBERS PLACED IN LIQUIDATION UNDER THE 1970 ACT

PART A: Customer Claims and Distributions Being Processed by Trustees

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers To Whom Notices and Claim Forms Were Mailed	Customer Claims Received
FIRST QUARTER 1974					
Parker Jackson & Co., Inc., Salt Lake City, Utah (Herschel J. Saperstein, Esq.)	5/24/63	2/ 7/74	12/14/74	1,900	738
SECOND QUARTER 1974					
Memme & Co., Inc., New York, New York (Edward Farman, Esq.)	8/ 6/65	8/ 6/73	4/15/74	300	29
Christian-Paine & Co., Inc.	6/24/70	4/10/74	4/18/74	17,500	7,845
Carlton Cambrige Co., Inc., Hasbrouck Heights, New Jersey (Irving Weinberg, Esq.)	7/21/68				
Seed Capital Corporation, New York, New York (Thomas Ungerland, Esq.)	1/21/71	2/25/74	5/ 6/74	243	35
THIRD QUARTER 1974					
Llorens Associates, Inc., New York, New York (Lloyd Frank, Esq.)	4/ 1/70	6/18/74	7/ 1/74	548	84
Financial House, Inc., Detroit, Michigan (David Robb, Esq.)	3/ 9/55	9/17/74	9/18/74	1,000	420
FOURTH QUARTER 1974					
Dow Financial Inc., Irving, California (Eugene W. Bell, Esq.)	4/ 8/73	11/11/74	11/11/74	1,250	412
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		
Universal Underwriting Service, Inc. Salt Lake City, Utah (Herschel J. Saperstein, Esq.)	8/28/71	11/25/74	12/26/74		
TOTAL 9 FIRMS PART A:				22,741	9,563

Distributions of Properties Held By Trustees				SIPC Advances to Trustees					
Specifically Identifiable		Single and Separate Fund							
Value	Number Customers	Value	Number Customers	Total Advanced	Administration Expenses	Open Contractual Commitments	Cash in Lieu of Securities	Free Credit Balances	Number of Customers
$ 30,814	346			$ 33,946	$ 17,750		$ 8,500	$ 7,696	113
70	6			18,205	13,255		4,300	650	6
80,637	1,119			629,273	244,931		292,330	92,012	837
				22,005	6,104		1,000	14,901	15
9,653	18			57,154	9,520		11,580	36,054	16
74,041	41			267,762			200,419	67,343	98
5,663	4			107,931	10,000		56,682	41,249	65
$200,878	1,534			$1,136,276	$301,560		$574,811	$259,905	1,150

APPENDIX I

MEMBERS PLACED IN LIQUIDATION UNDER THE 1970 ACT

PART B: Substantially All 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 To Whom Notices and Claim Forms Were Mailed	Customer Claims Received
SECOND QUARTER 1971					
Howard Carlton, Inc., New York, New York (Clark J. Gurney, Esq.)	5/31/69	2/ 1/71	4/ 8/71	350	122
Stan Ingram & Associates, Los Angeles, California (Harold L. Orchid, Esq.)	12/22/68	2/22/71	6/ 8/71	400	41
First Investment Savings Corp., Birmingham, Alabama (William Green, Esq.)	3/16/56	6/17/71	6/18/71	204	196
Packer, Wilbur & Co., Inc., New York, New York (Martin R. Gold, Esq.)	6/22/61	3/25/71	6/21/71	475	250
THIRD QUARTER 1971					
John, Edward & Co., Inc., Lebanon, New Hampshire (George L. Manias, Esq.)	1/17/68	3/ 5/71	7/ 1/71	1,800	181
Security Planners, Ltd., Inc., Boston, Massachusetts (William C. Foehl, Esq.)	2/12/68	3/18/71	8/ 6/71	300	150
FOURTH QUARTER 1971					
Buttonwood Securities, Inc., LaJolla, California (Edwin M. Lamb)	4/15/70	9/ 8/71	10/18/71	3,780	1,502
Financial Equities, Ltd., Los Angeles, California (Gilbert Robinson, Esq.)	3/26/70	9/17/71	11/ 8/71	4,000	669
Aberdeen Securites Co., Inc., Wilmington, Delaware (Claude P. Hudson)	5/14/69	9/15/71	11/22/71	1,800	281
Baron & Co., Inc., Jersey City, New Jersey (Mark F. Hughes, Jr., Esq.)	9/26/69	11/22/71	12/ 1/71	275	183
International Funding Securities, Inc., Long Beach, California (Sheldon Jaffe, Esq.)	3/31/62	6/ 3/71	12/ 6/71	16,000	950
Rodney B. Price & Co., Inc., Atlanta, Georgia (Robert E. Hicks, Esq.)	4/29/70	12/ 7/71	12/ 7/71	891	59
Securities Northwest, Inc., Seattle, Washington (George M. McBroom, Esq.)	6/23/71	12/ 7/71	12/ 7/71	940	117
E. P. Seggos & Co., Inc., New York, New York (Clark J. Gurney, Esq.)	2/ 6/70	12/13/71	12/14/71	960	360
Kelly, Andrews & Bradley, Inc., New York, New York (Edwin L. Gasperini, Esq.)	8/10/68	12/15/71	12/21/71	1,327	205
FIRST QUARTER 1972					
Mid-Continent Securities Co., Inc. Wichita, Kansas (Thomas R. Brunner)	12/13/50	1/ 3/72	1/ 3/72	1,191	588
F. O. Baroff Co., Inc., New York, New York (Edward S. Davis, Esq.)	10/29/66	1/ 6/72	1/ 6/72	4,225	1,591
Murray, Lind & Co., Inc., Jersey City, New Jersey (Mark F. Hughes, Jr., Esq.)	5/23/69	1/14/72	1/24/72	1,186	749

Distributions of Properties Held By Trustees				SIPC Advances to Trustees					
Specifically Identifiable		Single and Separate Fund							
Value	Number Customers	Value	Number Customers	Total Advanced	Administration Expenses	Open Contractual Commitments	Cash in Lieu of Securities	Free Credit Balances	Number of Customers
$157,300	44			$ 20,043	$ 7,299	$ 8,978	$ 251	$ 3,515	10
3,293	9	$ 500	2	46,229	3,777		33,382	9,070	37
102,554	185			67,028	33,566	2,380	478	30,604	47
14,728	18	15,812	13	404,032	30,562		271,148	102,322	175
1,737	3	27,493	19	97,621	21,884		14,382	61,355	75
418	1			215,018	23,003		160,224	31,791	128
680,406	643	318,040	603	461,545	312,536		60,773	88,236	335
320,682	264	99,852	244	169,208	20,426		110,894	37,888	277
11,993	26	49,464	147	115,319		23,022	75,295	17,002	158
65,605	124	7,563	51	50,681	18,809		1,683	30,189	79
30,960	76			666,958	197,032		303,242	166,684	611
29,100	10	20,227	29	47,039			13,799	33,240	33
69,581	18	23,116	7	66,856		31,823	1,875	33,158	47
53,100	145	92,000	142	56,646	2,586		29,294	24,766	69
23,068	55	13,249	34	170,119	82,868		12,713	74,538	65
93,215	126	51,231	329	894,467	50		752,457	141,960	354
1,275,540	1,205			1,310,047	184,303	137,790	752,474	235,480	1,258
203,000	498	196,000	353	184,228	72,976	4,426	26,932	79,894	353

APPENDIX I

MEMBERS PLACED IN LIQUIDATION UNDER THE 1970 ACT

PART B: Substantially All 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 To Whom Notices and Claim Forms Were Mailed	Customer Claims Received
FIRST QUARTER 1972 (Cont'd)					
S. J. Salmon & Co., Inc., New York, New York (John C. Fontaine, Esq.)	8/17/68	2/ 7/72	2/ 7/72	3,774	1,720
JNT Investors, Inc., New York, New York (Jerry B. Klein)	6/17/70	2/15/72	2/15/72	1,572	938
C. H. Wagner & Co., Inc., Boston, Massachusetts (Thomas J. Carens, Esq.)	6/23/69	2/22/72	2/28/72	14,000	839
Barrett & Co., Inc., Minneapolis, Minnesota (Lawrence Perlman, Esq.)	5/17/71	3/29/72	3/29/72	558	296
White and Co., St. Louis, Missouri (Hugh S. Hauck)	3/ 5/47	3/23/72	3/30/72	150	59
SECOND QUARTER 1972					
Parker, England & Co., Inc., Hicksville, New York (John R. Dunne, Esq.)	10/23/68	11/12/71	4/20/72	600	230
John E. Samuel & Co., Inc., White Plains, New York (Henry J. Smith, Esq.)	5/ 9/62	2/ 3/72	5/30/72	350	10
THIRD QUARTER 1972					
G. M. Stanley & Co., Inc., New York, New York (Winthrop J. Allegaert, Esq.)	4/11/69	7/17/72	7/18/72	1,044	409
Holt, Murdock Securities, Inc., Helena, Montana (Thomas F. Dowling, Esq.)	11/10/70	7/26/72	7/26/72	650	180
North American Planning Corp. New York, New York (Joseph D. Ellison)	4/ 9/70	7/25/72	8/ 8/72	2,700	947
Kenneth Bove & Co., Inc., New York, New York (William W. Golub, Esq.)	5/17/66	5/25/72	8/17/72	12,500	6,332
Northeast Investors Planning Corp. Bronx, New York (David Handel)	12/22/69	8/21/72	8/23/72	1,050	300
Doores Securities Corp., New York, New York (Peter H. Morrison, Esq.)	4/ 9/70	8/25/72	8/31/72	185	22
King Securities of Chicago, Inc., Chicago, Illinois (J. Kirk Windle, Esq.)	9/29/71	9/14/72	9/15/72	74	24
FOURTH QUARTER 1972					
Trio Securities, Inc., New York, New York (Bernard L. Augen)	5/20/71	9/29/72	10/ 3/72	90	67
G. L. Equities Corp., New York, New York (Charles H. Kaufman)	12/10/69	9/14/72	10/11/72	537	245
Equitable Equities, Inc., New York, New York (Herbert S. Camitta, Esq.)	2/ 4/70	10/13/72	10/13/72	134	69
Bovers, Parnass & Turel, Inc., Jersey City, New Jersey (Edward J. Rosner, Esq.)	10/12/68	10/19/72	10/19/72	1,180	307

Distributions of Properties Held By Trustees				SIPC Advances to Trustees					
Specifically Identifiable		Single and Separate Fund							
Value	Number Customers	Value	Number Customers	Total Advanced	Administration Expenses	Open Contractual Commitments	Cash in Lieu of Securities	Free Credit Balances	Number of Customers
$ 2,489,162	1,665	$206,281	375	$1,432,637	$311,525	$205,054	$137,168	$778,890	1,258
1,700,178	891	150,979	140	301,135	127,615	5,998	22,989	144,533	129
54,889	8			1,140,300	69,312	9,886	72,847	988,255	253
126,573	160	88,208	199	91,419	33,331		54,713	3,375	138
2,229	1			464,632	61,039		358,577	45,016	48
9,723	19	80,683	160	52,553	18,033		21,294	13,226	114
		10,775	1	302,394	49,315	208,226	16,848	28,005	72
117,337	225			87,446	65,078		20,880	1,488	81
144,541	150			240,961	57,356	5,267	70,368	107,970	101
1,094,446	835			487,116	321,767	11,335	28,042	125,972	146
2,524,223	6,891	968,014	2,952	924,974	100	12,098	160,659	752,117	3,480
20,552	39	23,492	45	85,444	2,500	550	51,131	31,263	130
56,166	10			78,547	41,967	12,073	5,205	19,302	9
3,481	15			22,342	14,374		6,087	1,881	8
4,164	16	5,062	10	85,105	4,652	868	73,007	6,578	49
163,525	238	15,008	97	95,633	74,115		8,943	12,575	54
128,362	45			80,465		27,604	16,034	36,827	33
19,630	40	187,991	236	158,741	36, 761	32,641	34,323	55,016	226

APPENDIX I

MEMBERS PLACED IN LIQUIDATION UNDER THE 1970 ACT

PART B: Substantially All 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 To Whom Notices and Claim Forms Were Mailed	Customer Claims Received
FOURTH QUARTER 1972 (Cont'd)					
Albert & Maguire Securities Co., Inc. Philadelphia, Pennsylvania (Donald M. Collins, Esq.)	9/ 9/68	10/19/72	10/19/72	5,181	1,310
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
J. R. Narwitz & Co., Sacramento, California (Loren S. Dahl, Esq.)	11/19/67	11/ 8/72	11/ 8/72	1,000	42
Comstock Securities, Ltd., Salt Lake City, Utah (Herschel J. Saperstein, Esq.)	8/24/71	11/20/72	11/20/72	350	201
First Midwest Investment Corp., Milwaukee, Wisconsin (Frank C. Verbest)	8/ 1/68	11/28/72	11/28/72	2,500	928
Horizon Securities, Inc., New York, New York (Alan Palwick, Esq.)	6/ 4/70	12/ 1/72	12/ 1/72	1,050	486
First Eastern Investment Corp., Red Bank, New Jersey (Burton Peskin, Esq.)	1/29/58	12/11/72	12/11/72	700	59
Project Securities & Co., Inc., Union, New Jersey (Martin D. Moroney, Esq.)	4/15/70	12/13/72	12/13/72	1,230	574
FIRST QUARTER 1973					
Provident Securities, Inc., New York, New York (Charles Seligson, Esq.)	3/16/69	1/23/73	2/ 2/73	2,100	850
N. F. James & Co., Inc., Jersey City, New Jersey (Milton Rosenkranz, Esq.)	8/14/71	2/ 1/73	2/ 9/73	150	110
Forma Securities, Inc., New York, New York (Lawrence P. King, Esq.)	3/27/69	2/ 9/73	2/ 9/73	2,399	487
Frank & Drake, Inc., New York, New York, (Daniel F. Callahan, Esq.)	1/ 8/69	2/22/73	2/22/73	1,900	428
A. J. Orsino Securites, Inc., New York, New York (Edward Farman, Esq.)	1/26/69	2/22/73	2/22/73	25	5
Teig-Ross, Inc., Bloomington, Minnesota (Lawrence Perlman, Esq.)	5/31/72	2/20/73	2/26/73	6,700	3,194
First Minneapolis Investment Corp., Minneapolis, Minnesota (James T. Hale, Esq.)	8/ 4/70	3/ 2/73	3/ 2/73	1,275	442
Custodian Security Brokerage Corp., New York, New York (Lyonel E. Zunz, Esq.)	4/25/71	3/ 6/73	3/ 7/73	673	67
Morgan, Kennedy & Co., Inc., New York, New York (Eugene L. Bondy, Jr., Esq.)	1/19/66	3/ 9/73	3/13/73	3,114	1,446
Dickinson, Rothbart & Co., Inc., New York, New York (Courtlandt Nicoll, Esq.)	3/ 1/72	3/15/73	3/16/73	351	51
Lexington Capital Corp., New York, New York (Peter H. Morrison, Esq.)	11/19/69	3/21/73	3/26/73	1,918	628

Distributions of Properties Held By Trustees				SIPC Advances to Trustees					
Specifically Identifiable		Single and Separate Fund							
Value	Number Customers	Value	Number Customers	Total Advanced	Administration Expenses	Open Contractual Commitments	Cash in Lieu of Securities	Free Credit Balances	Number of Customers
$ 809,535	520	$645,969	932	$1,242,337		$ 2,150	$1,063,817	$176,370	650
271,231	73	476,104	316	368,233	$202,417	11,024	14,421	140,371	206
1,800	1			113,136	28,421	7,581	33,710	43,424	37
				77,953			68,152	9,801	26
3,809	5	61	5	114,192	11,062	117	48,688	54,325	195
1,921,567	770	385,406	181	391,192	17,193	1,890	230,455	141,654	259
37,324	65	190,564	409	292,820	104,133	8,148	32,775	147,764	169
20,700	8			81,898			24,571	57,327	38
48,869	85	195,133	334	47,536	1,395	2,582	12,079	31,480	88
229,389	734			791,512	213,429		274,216	303,867	625
23,494	35	28,547	15	1,251,808	75,045		1,125,454	51,309	90
7,130	30	1,196	17	90,596	32,477		49,714	8,405	81
424,052	224			112,309	43,612		35,618	33,079	55
				5,575	500		410	4,665	5
2,035,280	3,211			291,708	138,170	700	61,017	91,821	629
382,755	393			89,475	16,855		70,039	2,581	33
1,219	3			82,150	29,512		29,927	22,711	17
1,664,435	1,642			718,028	279,964	23,085	211,380	203,599	686
10,712	31	1,499	3	65,712	20,887	2,715	21,946	20,164	18
378,558	432			285,995	61,700	73,077	50,885	100,333	155

APPENDIX I

MEMBERS PLACED IN LIQUIDATION UNDER THE 1970 ACT

PART B: Substantially All 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 To Whom Notices and Claim Forms Were Mailed	Customer Claims Received
FIRST QUARTER 1973 (Cont'd)					
Pacific Western Securities, Los Angeles, California (Edwin M. Lamb)	8/ 7/66	3/26/73	3/28/73	3,023	521
SECOND QUARTER 1973					
J. Shapiro Co., Minneapolis, Minnesota (William T. Dolan, Esq.)	7/31/68	4/13/73	4/13/73	32,730	11,816
Oxford Securities, Ltd., New York, New York (Salvatore A. Adorno, Esq.)	12/ 8/71	1/19/73	4/17/73	2,100	181
P & H Associates, New York, New York (Edward Brodsky, Esq.)	9/23/70	3/13/73	4/17/73	2,201	450
Schreiber Bosse & Co., Inc., Cleveland, Ohio (Sterling Newell, Jr., Esq.)	12/ 5/69	5/ 1/73	5/ 7/73 8/15/73†	792	147
Glendale Securities Corp., Ridgewood, New York (Brian P. McNulty, Esq.)	5/24/70	5/25/73	5/29/73	544	169
Weis Securities, Inc., New York, New York (Edward S. Redington, Esq.)	8/ 1/65	5/24/73	5/30/73	55,026	34,000

*In the administration of the estate, funds used to pay customers' free credit balances or cash in lieu of securities were not segregated as to source.

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers To Whom Notices and Claim Forms Were Mailed	Customer Claims Received
Smith & Medford, Inc., Atlanta, Georgia (William Green, Esq.)	9/ 2/70	5/31/73	6/ 1/73	1,705	525
R. S. Emerson Co., Agana, Guam (Hyman B. Rosenzweig)	6/11/67	5/18/72	6/22/73	200	74
THIRD QUARTER 1973					
Gary L. Jones & Associates, Salt Lake City, Utah (D. Spencer Nilson)	11/ 6/71	5/ 8/73	7/12/73	4,004	1,152
Hill, Curtin & Ackroyd, Inc., Framingham, Massachusetts (Joseph P. Rooney, Esq.)	4/29/70	7/30/73	7/30/73	2,500	130
Klee & Company, Inc., Cleveland, Ohio (William M. Nelson, Jr., Esq.)	8/18/71	8/10/73	8/20/73	1,400	287
Security Planning, Inc., Long Beach, California (Sheldon M. Jaffe, Esq.)	8/23/66	5/30/73	8/27/73	168	96
Duvest Corporation, Jersey City, New Jersey (Ralph M. Lowenbach, Esq.)	9/13/72	9/ 4/73	9/ 4/73	1,087	179
Associated Underwriters, Inc., Salt Lake City, Utah (Richard L. Blanck, Esq.)	7/ 8/70	9/11/73	9/11/73 10/23/73†	150	45
Busec Securities Corp., Buena Park, California (Harold L. Orchid, Esq.)	8/10/69	9/13/73	9/14/73	575	65

†Successor Trustee

Distributions of Properties Held By Trustees				SIPC Advances to Trustees					
Specifically Identifiable		Single and Separate Fund							
Value	Number Customers	Value	Number Customers	Total Advanced	Administration Expenses	Open Contractual Commitments	Cash in Lieu of Securities	Free Credit Balances	Number of Customers
$ 274,317	157	$ 79,179	118	$1,216,445	$181,990	$18,163	$ 914,380	$101,912	350
17,212,572	10,357			2,248,625	264,755	24,552	1,313,566	645,752	3,595
35,048	85			42,343	8,014	332	22,013	11,984	41
216,711	308			270,759	60,806	12,625	68,488	128,840	400
124,291	71	19,939	25	169,105	28,139	625	107,131	33,210	57
23,958	132	309	3	116,701	87,126		29,392	183	36
128,888,653	28,900 Estimated	26,806,502	34,000 Estimated	16,469,478			16,469,478*		33,500 Estimated
150,798	298			273,246	69,854	25,685	172,458	5,249	272
3,304	9			180,955			169,960	10,995	57
353,435	911			147,864	8,141	6,031	34,549	99,143	469
68,090	76			116,812			103,031	13,781	95
370,060	290	34,649	39	61,550	18,742	6,984	7,027	28,797	45
2,400	8			144,957	88,300		45,636	11,021	107
56,442	124	20,631	42	39,788	13,896		9,736	16,156	72
1,800	1			74,085	31,454		10,650	31,981	27
5,975	4			105,822	11,428		94,282	112	75

APPENDIX I

MEMBERS PLACED IN LIQUIDATION UNDER THE 1970 ACT

PART B: Substantially All 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 To Whom Notices and Claim Forms Were Mailed	Customer Claims Received
FIRST QUARTER 1974					
Howard Lawrence & Co., Inc., New York, New York (Grant S. Lewis, Esq.)	8/ 9/69	1/11/74	1/11/74	1,800	365
Equidyne, Salt Lake City, Utah (Reed L. Martineau, Esq.)	4/19/72	2/ 7/74	2/ 7/74	6,452	641
SECOND QUARTER 1974					
Harper Johnson & Co., Inc., New York, New York (David P. Prescott, Esq.)	4/30/70	4/ 8/74	4/ 8/74	329	55
London Securities, Ltd., New York, New York (Edward Brodsky, Esq.)	4/18/70	1/ 3/74	4/22/74	108	6
McMahon & Hoban, Inc., Chicago, Illinois (J. Kirk Windle, Esq.)	2/14/40	4/26/74	4/26/74	1,600	337
THIRD QUARTER 1974					
Investment Securities Corp., Clayton, Missouri (Martin M. Green, Esq.)	11/ 8/69	7/ 8/74	7/ 8/74	1,400	490
TOTAL 78 FIRMS: PART B				**235,007**	**84,821**

Distributions of Properties Held By Trustees				SIPC Advances to Trustees					
Specifically Identifiable		Single and Separate Fund							
Value	Number Customers	Value	Number Customers	Total Advanced	Administration Expenses	Open Contractual Commitments	Cash in Lieu of Securities	Free Credit Balances	Number of Customers
$ 94,998	232			$345,820	$ 48,154		$ 61,741	$ 235,925	399
16,399	63			68,247	32,949		17,237	18,061	210
487	5			7,224	2,900			4,324	4
150	1			13,628	9,290		2,338	2,000	4
49,046	21			820,923			213,740	607,183	269
515,458	385			270,441	5,000		181,751	83,690	150
$168,531,712	**65,398**	**$31,536,728**	**42,627**	**$40,893,911**	**$4,548,227**	**$968,085**	**$27,288,269**	**$8,089,330**	**54,736**

APPENDIX I

MEMBERS PLACED IN LIQUIDATION UNDER THE 1970 ACT

PART C: Liquidations Completed

1974 Member and Trustee By Date of Appointment	Trustee Appointed	Number of Customers Receiving Securities And Cash from Trustee	Total
Joseph Garofalo d/b/a Josephson Co., New York, New York (Sidney H. Leeds)	4/23/71	29	$ 479
Karle R. Berglund d/b/a Colonial Investment Securities, Worcester, Massachusetts (Gordon A. Martin, Esq.)	8/ 6/71	14	87,025
Barnes, Ryder, Waddles and Co., Inc. Wichita, Kansas (Thomas R. Brunner)	8/18/71	774	588,673
Security Brokers Associates, Inc.) Security Brokers Investment, Inc.) Fort Lauderdale, Florida (Carmen A. Accordino, Esq.)	8/20/71	42	38,967
Commonwealth Securities Corporation, Nashville, Tennessee (Fred D. Bryan)	10/22/71	179	70,160
A. H. Simon Securities, New York, New York (Winthrop J. Allegaert, Esq.)	1/17/72	45	51,670
Quodar Equities, Ltd., Great Neck, New York (Edward J. Rosner, Esq.)	1/21/72	133	11,852
Charisma Securities Corp., New York, New York (Edwin L. Gasperini, Esq.)	3/ 9/72	25	1,367
J. R. Radin & Co., Inc., New York, New York (William W. Golub, Esq.)	3/ 9/72	683	558,527
Robert E. Wick d/b/a Robert E. Wick Co., Oak Park, Illinois (J. Kirk Windle, Esq.)	3/14/72	21	15,703
Marrocco & Co., Inc., Brookline, Massachusetts (Michael M. Marx)	4/19/72	12	1,081
Maurice Timothy Sullivan d/b/a M. Timothy Sullivan Boston, Massachusetts (Michael M. Marx)	6/12/72	19	191
Centaur Securities, Ltd., Salt Lake City, Utah (D. Spencer Nilson)	7/17/72	459	182,560
Ridgewood Securities Corp., Miami, Florida (Oscar J. Keep, Esq.)	1/ 8/73	48	58,070
Media Financial Services, Los Angeles, California (Edwin M. Lamb)	2/26/73	10	4,522
Stewart Securities Corporation, Dallas, Texas (Theodore Mack, Esq.)	3/12/73	21	28,422
TOTAL 16 FIRMS 1974		2,514	1,699,269
TOTAL 6 FIRMS 1973		332	565,522
TOTAL 22 FIRMS 1973 & 1974		2,846	$2,264,791

*Includes $5,858 paid to General Creditors

DECEMBER 31, 1974

Distributions of Properties Held by Trustees			SIPC Advances to Trustees				
	Single and Separate Fund And General Estate						
Customers' Specifically Identifiable	Customers And Others	Administration Expenses	Total Advanced	Administration Expenses	Open Contractual Commitments	Cash In Lieu of Securites	Free Credit Balances
		$ 479	$ 94,372	$ 30,406		$ 36,192	$ 27,774
$ 11,500	$ 43,379	32,146	120,227	100,239			19,988
188,246	315,588	84,839	308,588	20,994		236,837	50,757
16,052	1,502	21,413	140,394			123,186	17,208
20,779	5,650	43,731	77,549	25,605		38,964	12,980
27,355	16,716	7,599	55,908	29,227		9,995	16,686
3,475	330	8,047	244,953	27,108	$ 125	70,193	147,527
		1,367	69,749	27,542		1,360	40,847
352,063	25,186	181,278	321,814	101,177	79,559	66,938	74,140
		15,703	165,878	21,742		131,283	12,853
160		921	4,578	106		4,005	467
		191	32,639	12,480		9,910	10,249
150,114	18,752	13,694	101,235	17,370		20,949	62,916
5,860		52,210	49,783	10,684		22,375	16,724
4,522			29,048	15,631		5,602	7,815
	2,791	25,631	45,517			42,756	2,761
780,126	429,894	489,249	1,862,232	440,311	79,684	820,545	521,692
296,067	55,275	214,180	778,021	152,579		574,333	51,109
$1,076,193	$485,169*	$703,429	$2,640,253	$592,890	$79,684	$1,394,878	$572,801

APPENDIX I

MEMBERS PLACED IN LIQUIDATION UNDER THE 1970 ACT

PART D: Summary

	Number of Customers	Total	Customers' Specifically Identifiable
PART A: 9 Firms — Customer Claims and Distributions Being Processed by Trustees	9,563*	$ 200,878	$ 200,878
PART B: 78 Firms — Substantially All Customer Claims (Except Problem Claims) Have Been Satisfied	84,821*	200,068,440	168,531,712
Sub Total	94,384	200,269,318	168,732,590
PART C: 22 Firms — Liquidations Completed	2,846**	2,264,791	1,076,193
TOTAL	97,230	$202,534,109	$169,808,783

*Number of customers' claims received
**Number of customers receiving securities and/or cash
***To be reported at completion of the liquidation

DECEMBER 31, 1974

Distributions of Properties Held by Trustees						
Single and Separate Fund and General Estate		SIPC Advances to Trustees				
Customers and Others	Administration Expenses	Total Advanced	Administration Expenses	Open Contractual Commitments	Cash in Lieu In Securities	Free Credit Balances
	***	$ 1,136,276	$ 301,560		$ 574,811	$ 259,905
$ 31,536,728	***	40,893,911	4,548,227	$ 968,085	27,288,269	8,089,330
31,536,728		42,030,187	4,849,787	968,085	27,863,080	8,349,235
485,169	$703,429	2,640,253	592,890	79,684	1,394,878	572,801
$ 32,021,897	$703,429	$44,670,440	$5,442,677	$1,047,769	$29,257,958	$8,922,036

APPENDIX II

Analysis of SIPC Revenues and Expenses and Trustees' Distributions For Accounts of Customers for the Four Years Ended December 31, 1974

	1971	1972	1973	1974	Total
Revenues:					
Member assessments and contributions	$32,790,194	$32,332,156	$ 22,858,920	$18,027,633	$106,008,903
Interest:					
U.S. Government obligations	490,042	1,674,257	2,771,131	3,914,782	8,850,212
Assessments	—	—	10,938	16,311	27,249
	33,280,236	34,006,413	25,640,989	21,958,726	114,886,364
Expenses:					
Administrative:					
Salaries and employee benefits:					
Salaries	178,036	411,075	705,424	900,858	2,195,393
FICA taxes	4,509	10,681	25,362	32,511	73,063
Federal unemployment tax	250	567	1,145	1,526	3,488
D.C. unemployment tax	1,298	3,113	5,358	7,071	16,840
Group life insurance	2,943	3,423	7,381	8,693	22,440
Group health insurance	2,842	2,799	3,786	9,694	19,121
Contribution to Employees' Retirement Trust	—	43,400	44,700	35,900	124,000
Other employee benefits	—	2,404	6,384	10,828	19,616
	189,878	477,462	799,540	1,007,081	2,473,961
Assessment collection direct costs	35,780	24,047	13,916	11,124	84,867
Credit agreement commitment fee	236,527	292,223	240,625	189,931	959,306
Legal fees	70,987	76,574	44,388	86,991	278,940
Accounting fees	22,074	70,169	20,313	21,520	134,076
Other:					
Printing and mailing Annual and Quarterly reports	—	23,901	21,671	13,076	58,648
Directors fees and expenses	8,609	6,096	6,667	8,260	29,632
Travel and subsistence	4,154	23,981	55,587	62,320	146,042
Personnel recruitment	3,790	5,832	14,312	15,131	39,065
Rent-office space	10,849	34,073	45,227	91,903	182,052
Depreciation and amortization	1,548	10,923	12,865	12,093	37,429
Insurance	2,549	3,137	4,073	4,452	14,211
Postage	1,069	3,471	3,013	5,221	12,774
Office supplies and expense	13,140	25,920	35,946	65,667	140,673
Telephone and telegraph	4,583	17,966	25,533	32,906	80,988
Custodian fees	4,538	15,940	18,523	18,691	57,692
Relocation	—	—	36,439	—	36,439
Miscellaneous	9,805	30,914	25,986	26,071	92,776
	64,634	202,154	305,842	355,791	928,421
Preparation costs-potential major liquidations	156,328	—	—	—	156,328
Start-up expense-attorneys' and accountants' fees and printing expense related to credit agreement and assessment procedures	127,632	—	—	—	127,632
	903,840	1,142,629	1,424,624	1,672,438	5,143,531
Provision for possible losses on advances to trustees:					
For completion of open contractual commitments	51,675	135,183	693,142	167,769	1,047,769
Cash in lieu of securities (net recoveries)	173,012	3,489,969	27,868,208	(2,273,231)	29,257,958
Free credit balances	176,132	3,717,741	3,144,691	1,883,472	8,922,036
	400,819	7,342,893	31,706,041	(221,990)	39,227,763
Administration expenses	74,981	765,991	3,755,307	864,867	5,461,146
	475,800	8,108,884	35,461,348	642,877	44,688,909
	1,379,640	9,251,513	36,885,972	2,315,315	49,832,440
Excess revenues (expenses)	$31,900,596	$ 24,754,900	($ 11,244,983)	$19,643,411	$ 65,053,924
Trustees' distributions for the accounts of customers:					
From debtors' estates	271,000	9,300,000	170,672,000	21,582,000	201,825,000
From SIPC advances (net recoveries)	400,819	7,342,893	31,706,041	(221,990)	39,227,763
	$ 671,819	$16,642,893	$202,378,041	$ 21,360,010	$241,052,763

SECURITIES INVESTOR PROTECTION CORPORATION

900 SEVENTEENTH STREET, N.W., SUITE 800, WASHINGTON, D.C. 20006