

# Annual Report 1984

SECURITIES INVESTOR PROTECTION CORPORATION



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

April 30, 1985

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 Fourteenth Annual Report of the Securities Investor Protection Corporation pursuant to the provisions of Section 11(c)(2) of the Securities Investor Protection Act of 1970.

Respectfully,

A handwritten signature in black ink, appearing to read "James G. Stearns". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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 brokers or dealers\* . . .”*

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

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

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# Securities Investor Protection Corporation

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## 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.

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## Staff Officers

**Theodore H. Focht**  
President & General Counsel

**Michael E. Don**  
Deputy General Counsel & Secretary

**Lloyd W. McChesney**  
Senior Vice President—Finance

**John B. Bourne**  
Vice President—Finance

**J. H. Moelter**  
Vice President—Operations

# Overview of SIPC

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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, initiates the steps leading to the liquidation of a member, advises the trustee, his counsel and accountants, reviews claims, audits distributions of property, and carries out other

activities pertaining to the Corporation's purpose. In cases where the court appoints SIPC or a SIPC employee as Trustee and in direct payment proceedings, the staff responsibilities and functions are all encompassing—from taking control of customers' and members' assets to satisfying valid customer claims and accounting for the handling of all assets and liabilities 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.***

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\*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

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1984 has been a good year for SIPC. The proceedings which were commenced in 1984 did not present financial demands on the SIPC Fund as great as had been experienced in the prior few years. This enabled us, to some extent, to direct attention to a self-evaluation of our structure and program. What has resulted, I think, is a stronger and more efficient organization.

As detailed elsewhere in this report, we commenced the liquidation of nine members in 1984. While we, of course, would prefer to see even fewer new proceedings, we were gratified that the exposure to the SIPC Fund was not as large as it had been in recent years. In addition, we continued in our efforts to reduce further the period of time during which customers of the debtor firms do not have access to the property in their accounts.

The multi-million dollar lawsuit *SIPC v. Vigman et al* which SIPC and two trustees appointed in liquidation proceedings under our program filed in 1983 has continued to proceed in the Federal District Court in the Central District of California. Details about that lawsuit are set forth below in our section on litigation.

## **SIPC Fund Increased**

It was encouraging to see the SIPC Fund total \$246 million as of December 31st. This is largely the result of the reimposition of SIPC assessments in 1983. It is, however, also affected by the decline in the drain caused by the 1984 proceedings over 1983, as well as the encouraging flow of interest income to the Fund. You may remember that in Fall of 1983 the SIPC Board determined to continue assessments at the current rate until the Fund balance totals \$300 million. Based on our current projections, we think it is likely that that balance will be reached in 1985.

## **Internal Procedures Reviewed**

Our review of internal procedures has resulted in some changes both in our internal organization and in the way we conduct our business. Notable

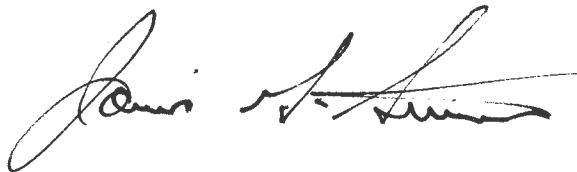
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in the first category is the restructuring of staff positions to establish a separate division of operations which will be responsible for the financial and operational aspects of our liquidation proceedings. Coincident with that change, I am pleased to announce that the Board of Directors made the following appointments: Lloyd W. McChesney, Senior Vice President-Finance; John B. Bourne, Vice President-Finance; John H. Moelter, Vice President-Operations.

In addition, throughout 1984, we have continued to review the extent to which we can add computerization to our operations. In connection therewith, we have retained Peat, Marwick, Mitchell & Co. as consultants to us on this review, and I am pleased to report that by year-end Peat, Marwick had presented its report to our Board of Directors. It is hoped that once those recommendations are implemented, SIPC will realize significant time and cost savings in the administration of our proceedings. We also expect that the addition of computer equipment will result in significant benefits in the other areas of our office: membership and assessments, internal accounting, and legal. I am optimistic that by this time next year we will be able to report to you that the needed equipment is in place and functioning.

### **1984 SIPC Board Activity**

The SIPC Directors have worked together in the past year to insure the proper and efficient administration of our program. I believe the steps which the Board has taken in 1984 will continue to pay dividends to us in that regard in the years to come.





# 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 nine SIPC members in 1984, bringing the total since SIPC's inception to 177 proceedings commenced under SIPA. The 177 members represent 1 percent of the approximately 19,000 broker-dealers that have been SIPC members during the last 14 years. Currently, SIPC has 10,338 members.

The nine new cases compare with seven commenced in 1983. An average of seven new cases were commenced during the period 1976 through 1984. During SIPC's first five years, 1971 through 1975, new proceedings averaged 23 per year.

Trustees other than SIPC were appointed in eight of the cases commenced during the year and SIPC serves as trustee in one. SIPC members for which customer protection proceedings were undertaken are:

Member	Date Trustee Appointed
Jay W. Kaufmann & Co. New York, New York	1/23/84
California Municipal Investors, Inc. Los Angeles, California	1/31/84
Gattini & Co. New York, New York	2/01/84
Southeast Securities of Florida, Inc. Hoboken, New Jersey	2/13/84
MV Securities, Inc. d/b/a Multi-Vest Securities, Inc., New York, New York	3/14/84
American Western Securities, Inc. Denver, Colorado	4/24/84*
June S. Jones Co. Portland, Oregon	6/06/84
First Interwest Securities Corp. Denver, Colorado	6/07/84
Vantage Securities of Colorado, Inc. Englewood, Colorado	11/30/84

\*SIPC trusteeship

Of the 177 proceedings begun under SIPA to date, 128 have been completed, 42 involve problem claims and/or litigation, and claims in 7 are being processed (See Figure 1).

During SIPC's fourteen-year history, cash and securities distributed for accounts of customers aggregated approximately \$680 million. Of that amount, approximately \$527 million came from debtors' estates and \$153 million from the SIPC Fund (See Appendix III).

## SIPC Fund Advances

Table I shows that the 33 debtors for which net advances from the SIPC Fund of more than \$1 million have been made accounted for about 83 percent of the total advanced in all 177 customer protection proceedings. The largest net advance in a single liquidation is \$39 million for Bell & Beckwith. This exceeds the net advances in the 144 smallest proceedings.

In six proceedings SIPC advanced \$91 million, or 53 percent of net advances from the SIPC Fund for all proceedings.

TABLE I  
Net Advances from the SIPC Fund  
As of December 31, 1984  
177 Customer Protection Proceedings

Net Advances		Number of Proceedings	Amounts Advanced
From	To		
\$10,000,001	up	3	\$ 74,271,633
5,000,001	\$10,000,000	3	16,323,823
1,000,001	5,000,000	27	51,630,785
500,001	1,000,000	15	11,104,792
250,001	500,000	21	7,453,449
100,001	250,000	46	7,667,035
50,001	100,000	36	2,572,363
25,001	50,000	15	552,194
10,001	25,000	5	82,630
0	10,000	5	22,281
Net recovery		1	(871,631)*
			<u>\$170,809,354†</u>

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

†Consists of advances for accounts of customers (\$153,321,636) and for administration expenses (\$17,487,718).

## Claims over the Limits

Of the more than 190,000 claims satisfied as of December 31, 1984, a total of 269 were for cash and securities whose value was greater than the limits of protection by SIPA.

The 269 claims, a net decrease of 30 during 1984, represent approximately one-tenth of one percent of all claims satisfied. The unsatisfied portion of claims, \$9.9 million, decreased approximately \$500,000 during 1984. These remaining claims approximate 1 percent of the total value of securities and cash distributed for accounts of customers.

FIGURE 1  
Status of Customer Protection Proceedings

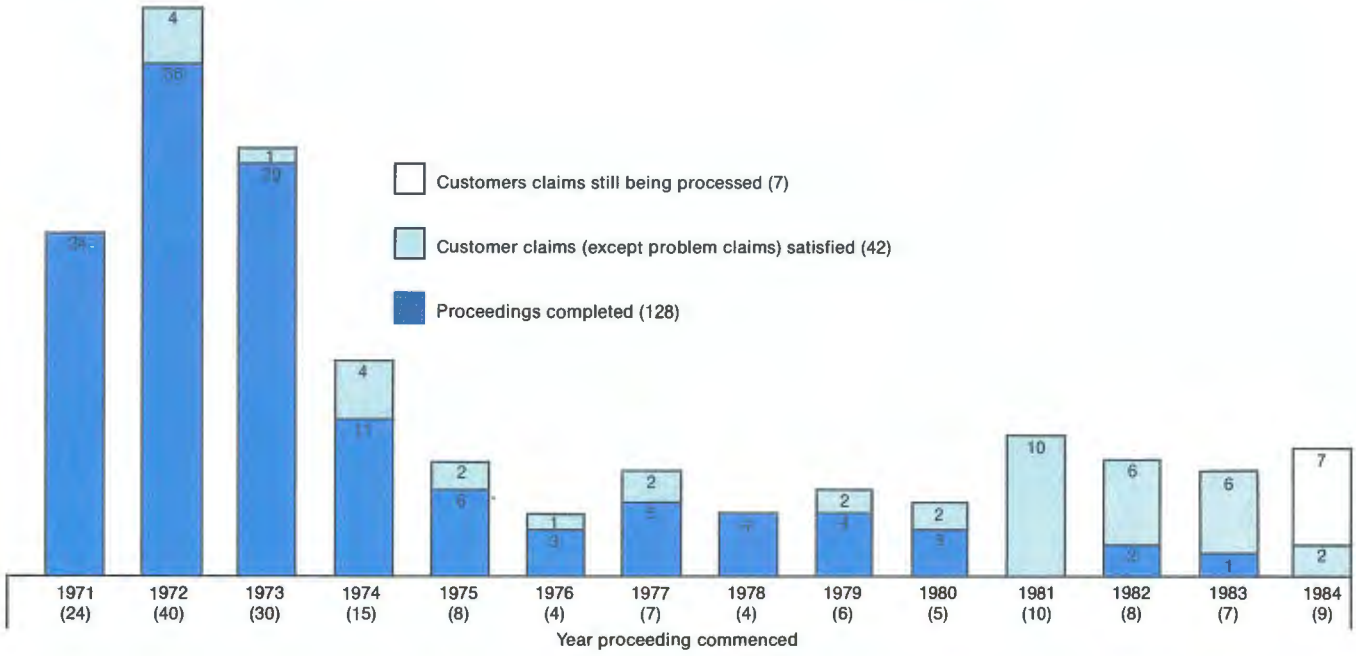
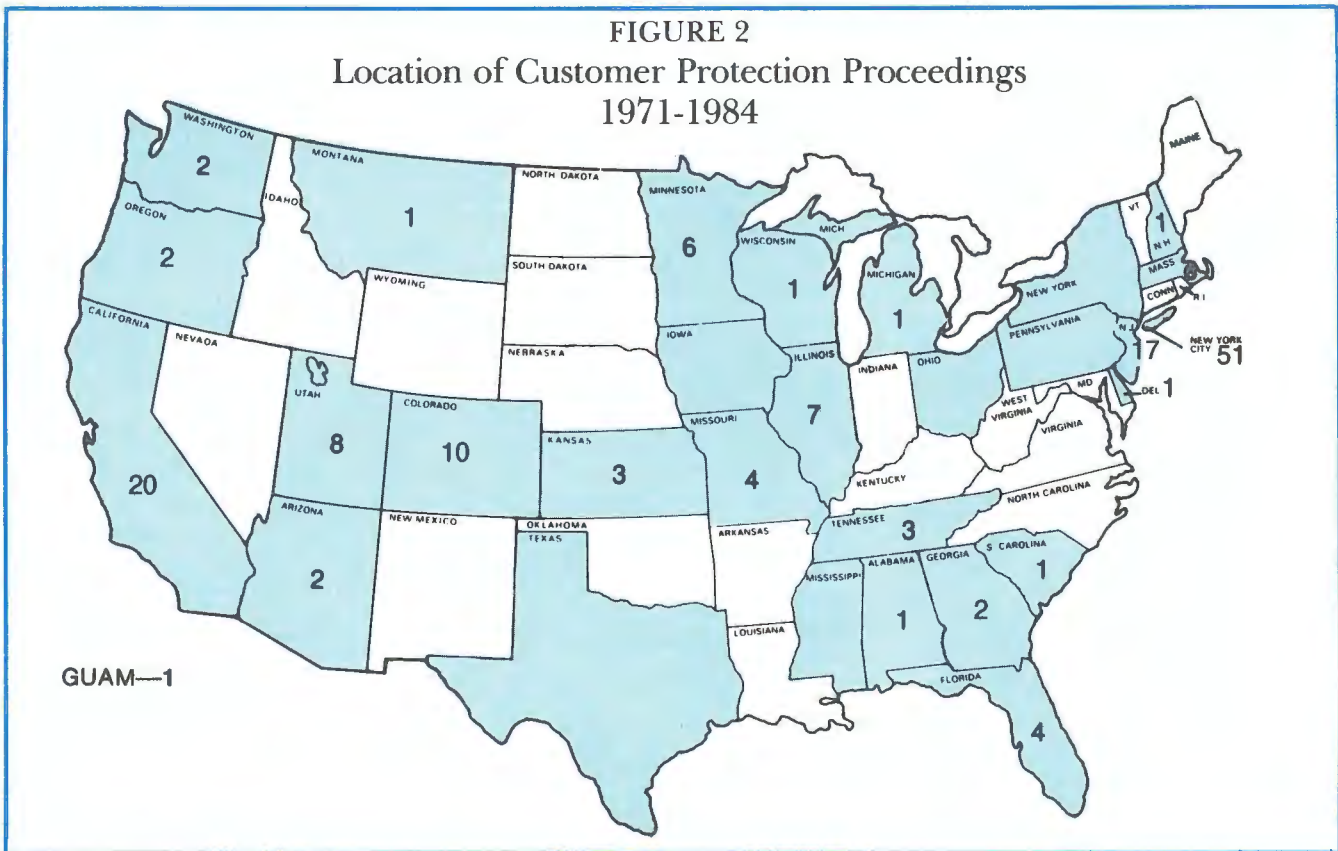


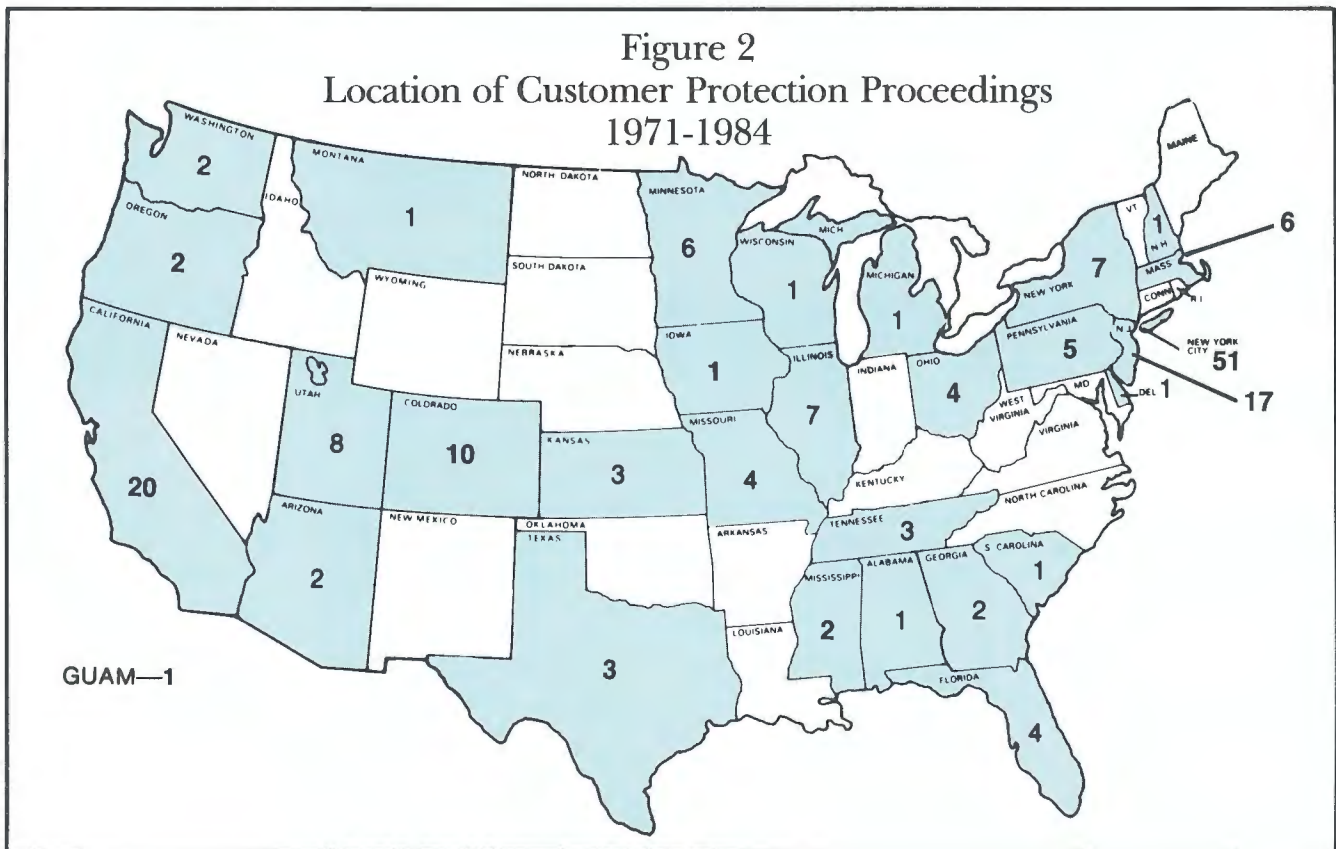
FIGURE 2  
Location of Customer Protection Proceedings  
1971-1984



# Securities Investor Protection Corporation 1984 Annual Report

## ERRATA SHEET

Figure 2 printed below replaces figure 2 on page 9 of the report.



# 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 1,078 members during the year brought the total membership to 10,338 at December 31, 1984. 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, 1984

Agents for Collection of SIPC Assessments	Added(a)	Terminated(a)	Total
National Association of Securities Dealers, Inc.	—	237	4,679
SIPC(b)	2,242	864	2,113
Chicago Board Options Exchange Incorporated	—	25	1,665
New York Stock Exchange, Inc.	13	48	894
American Stock Exchange, Inc.	7	3	468
Pacific Stock Exchange, Inc.	1	2	230
Philadelphia Stock Exchange, Inc.	—	2	173
Midwest Stock Exchange, Inc.	—	3	93
Boston Stock Exchange, Inc.	—	1	22
Spokane Stock Exchange	—	—	1
	<u>2,263</u>	<u>1,185</u>	<u>10,338</u>

Notes:

- Excluding transfers (2,116) of members to successor collection agents.
- 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).<sup>1</sup> As of December 31, 1984, there were 846 members who were subjects of uncured notices, 566 of which were mailed during 1984 (131 in September), 167 during 1983 and 113 during the years 1974 through 1982. Subsequent filings and payments by 124 members left 722 notices uncured. SIPC has been advised

by the SEC staff that: (a) 166 member registrations have been cancelled or are being withdrawn; (b) 294 are no longer engaged in the securities business and cancellations of their registrations have been or are being recommended; (c) 7 are either subjects of administrative proceedings or otherwise resolved; and (d) 255 are being contacted by its regional offices or the affected examining authorities.

## SIPC Fund

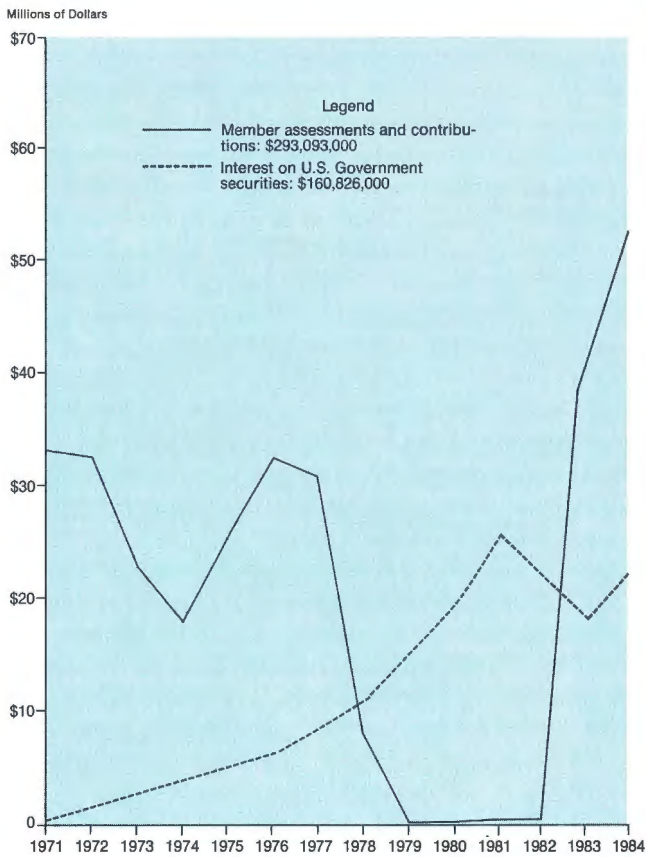
The SIPC Fund, consisting of the aggregate of cash and investments in United States Government securities, amounted to \$246 million at year end, an increase of \$72 million during the year. Tables III and IV present principal revenues and expenses for the years 1971 through 1984. The 1984 member assessments were \$52.3 million and interest from investments was \$23 million. During the periods 1971 through 1977 and 1983 through 1984, member assessments were the principal source of revenues and were based on a percentage of each member’s gross revenue from the securities business.

Net expenses of \$2,418,000 consisted principally of salaries, employee benefits, legal and accounting fees, and rent aggregating \$3,524,000, reduced by \$1,106,000 excess recoveries over costs of customer protection proceedings.

<sup>1</sup>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**  
**Fourteen Years Ended December 31, 1984**

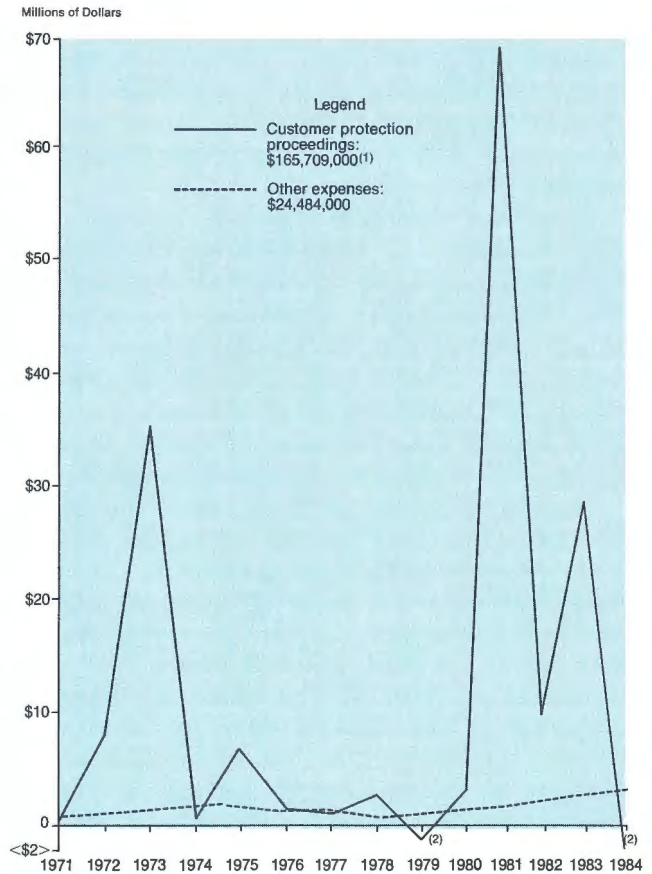


**Member Assessments**

1971: 1/2 of 1%\* plus an initial assessment of 1/8 of 1%\* of 1969 revenues, \$150 minimum.  
 1972-1977: 1/2 of 1%\*  
 January 1-June 30, 1978: 1/4 of 1%\*  
 1979-1982: \$25 uniform annual assessment  
 1983-1984: 1/4 of 1%\* effective May 1, 1983, subject to \$25 minimum

\*Rates based on each members' gross revenues from the securities business.

**Table IV**  
**SIPC Expenses for the**  
**Fourteen Years Ended December 31, 1984**



(1) Includes net advances of \$170,809,000 less estimated future recoveries of \$14,700,000 and \$9,600,000 of estimated costs to complete proceedings.  
 (2) Net recoveries.

# Litigation

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During 1984, SIPC was actively involved in litigation at both the trial and appellate levels. The more important court decisions are summarized below.

In *In re Stalvey & Associates, Inc.*, 750 F.2d 464 (5th Cir. 1985), the court of appeals reversed the bankruptcy judge's decision and held that an individual, although having a customer relationship with the debtor in other transactions, was not a "customer" entitled to protection under SIPA where he deposited bonds with a bank as collateral for two letters of credit issued by the bank, and the bonds were stolen from the bank's possession by one of the debtor's employees. By agreement between the bank and the claimant, the debtor or its employees had access to the bonds to clip the coupons and, under certain conditions, to substitute bonds of equal value. In reaching its conclusion, the court held that whether one is a "customer" within the meaning of SIPA is a question of law rather than a question of fact.

In *McGraw v. Frederick S. Todman & Company (In re Bell & Beckwith)*, Case No. C83-1071 (N.D. Ohio, June 27, 1984), an action brought by the trustee against the debtor's pre-liquidation accountants for, among other things, breach of contract and negligence in its audit and certification of the debtor's financial statements, the district court held that the trustee was a proper party to bring an action on behalf of SIPC to enforce its rights as subrogee to the customer's claims.

In *SIPC v. Vigman*, [1984 Transfer Binder] CCH Fed. Sec. L.Rep. ¶91,548 (C.D. Cal., May 30, 1984), an action wherein SIPC and trustees for two broker-dealers in liquidation under SIPA alleged numerous violations of the antifraud provisions of the securities laws and of the Racketeer Influenced and Corrupt Organizations Act ("RICO") by various individuals, corporate entities related to them, and seven issuers of securities in which the two broker-dealers made markets, the district court, on defendants' motion to dismiss, upheld the sufficiency of the RICO claim. The court noted that the trustee and SIPC had alleged in their complaint that, in addition to injury to the investing public from securities fraud and manipulation, a pattern of racketeering activity "also resulted in anti-competitive control and domination by the RICO Defendants over [the two broker-dealers], resulting in the financial destruction and liquidation of [the two broker-dealers]." The district court dismissed the entire complaint with leave to amend to identify more specifically "each defendant with the fraudulent acts he, she or it is alleged to have committed." An amended complaint was filed in September 1984.

In the same *Vigman* action, 587 F.Supp. 1358 (C.D. Cal. 1984), the district court held that, pursuant to Rule 1.11(a) of the American Bar Association's Model Rules of Professional Conduct, two attorneys and their law firm were disqualified from representing SIPC. The court found that both attorneys, while employed by the Securities and Exchange Commission ("SEC"), had participated personally and substantially in an earlier related civil action by the SEC against at least two of the defendants in the current *Vigman* action. The SEC declined to consent to the attorneys' representation of SIPC. The court noted that it was applying a prophylactic rule and that there was no suggestion of any actual wrongdoing on the part of the attorneys.

In *Gold v. Power Conversion, Inc.*, 78 Civ. 4483 (VLB) (S.D.N.Y., November 2, 1984), an action wherein the trustees for three broker-dealers in liquidation under SIPA alleged numerous violations of the antifraud provisions of the securities laws, the district court granted the trustees' motion to amend the complaint by adding a count under RICO, in that the trustees pleaded a distinct RICO injury and two prior criminal convictions in this case and thereby met the recent Second Circuit limitation on RICO actions.

In *In re Bell & Beckwith*, Case No. 83-0132 (N.D. Ohio, March 30, 1984), the bankruptcy court held that the trustee is entitled to all documents in the possession of debtor's counsel which relate to the debtor and which have their origin in the relationship between counsel and the debtor.

In *In re First State Securities Corp.*, 39 B.R. 26 (Bankr. S.D. Fla. 1984), the bankruptcy court denied creditors' motion to remove the trustee who they alleged was "no longer a disinterested party" in that he acts in accordance with SIPC's wishes. The court found that SIPA is controlling and that any conflict between a trustee's obligations to customers and his obligations to SIPC was not intended by Congress to be a basis for a trustee's removal. An appeal by the creditors to the United States District Court for the Southern District of Florida is pending.

In *In re John Muir & Co.*, 81-B-11761 (S.D.N.Y. July 11, 1984), the bankruptcy court held that a late-filed amendment of a timely-filed claim will not be allowed where the amendment asserts a new separate and distinct claim.



# 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 1984 twelve 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 177 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, 1984, trial or sentencing was pending against 24 persons who had been indicted or convicted.

Administrative and/or criminal action in 164 of the 177 SIPC customer protection proceedings initiated through December 31, 1984, was accomplished as follows:

Action Initiated	Number of Proceedings
1. Joint SEC/Self-Regulatory Administrative Action	48
2. Exclusive SEC Administrative Action	27
3. Exclusive Self-Regulatory Administrative Action	25
4. Criminal and Administrative Action	55
5. Criminal Action Only	9
<b>Total</b>	<b>164</b>

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

In the 155 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 <sup>1</sup>	85	72
Bar from Association	281	172
Fines	Not Applicable	\$547,000

Suspensions by self-regulatory authorities ranged from five days to a maximum of ten days. 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 \$547,000 in fines assessed by self-regulatory authorities were levied against 52 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 46 member firms referred under Section 5(a) during calendar year 1984. Thirty-eight new referrals were received during the year and eight active referrals had been carried forward from prior years. Eighteen of the 46 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.

<sup>1</sup>Notices of suspension include those issued in conjunction with subsequent bars from association.

# Financial Statements

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## 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, 1984, 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, 1984, 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 28, 1985

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# Securities Investor Protection Corporation

## Statement of Financial Condition

December 31, 1984

### ASSETS

Cash .....	\$	322,537
Estimated member assessments receivable (Note 3) .....		13,000,000
U.S. Government securities, at amortized cost and accrued interest receivable (\$5,253,616); (approximate market \$249,900,000) .....		245,778,642
Advances to trustees for customer protection proceedings in progress, less allowance for possible losses (\$123,161,027) (Note 4) .....		14,700,000
Other .....		164,061
		<b>\$273,965,240</b>

### LIABILITIES AND FUND BALANCE

Advances to trustees—in process (Note 4) .....	\$	63,920
Accounts payable and accrued expenses .....		575,776
Estimated costs to complete customer protection proceedings in progress (Note 4) .....		9,600,000
		10,239,696
Commitment (Note 5)		
Fund balance .....		263,725,544
		<b>\$273,965,240</b>

## Statement of Operations and Fund Balance

for the year ended December 31, 1984

Revenues:		
Member assessments (Note 3) .....	\$	52,293,859
Interest on U.S. Government securities .....		23,033,791
		75,327,650
Expenses:		
Salaries and employee benefits (Note 6) .....		1,533,851
Legal and accounting fees (Note 4) .....		1,088,022
Rent (Note 5) .....		311,748
Other .....		590,201
		3,523,822
Excess estimated future recoveries over provision for estimated costs to complete customer protection proceedings (Note 4) .....		(1,105,564)
		2,418,258
Excess revenues .....		72,909,392
Fund balance, beginning of year .....		190,816,152
Fund balance, end of year .....		<b>\$263,725,544</b>

See notes to financial statements.



# Statement of Changes in Financial Position

## for the year ended December 31, 1984

Cash provided from (used in) operations:

Provided:

Member assessments .....	\$52,293,859
Interest on U.S. Government securities .....	23,436,894
Recoveries of advances to trustees, net of advances (\$15,009,728) .....	<u>181,047</u>
	<u>75,911,800</u>

Used:

Salaries, legal and accounting fees, rent, etc. ....	<u>(3,571,949)</u>
	<u>72,339,851</u>

Other uses of cash:

Purchases of U.S. Government securities, net .....	(72,163,590)
Miscellaneous .....	<u>(47,279)</u>
	<u>(72,210,869)</u>

Increase in cash .....	128,982
Cash, beginning of year .....	<u>193,555</u>
Cash, end of year .....	<u><u>\$ 322,537</u></u>

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 \$246,101,179.

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 1/4 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 49 proceedings in progress at December 31, 1984. Customer claims, except problem claims, have been satisfied in 42 of these proceedings and in 7 proceedings customer claims are still being processed.

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

Estimated costs to complete proceedings are accrued based upon the costs of completed cases of comparable size and complexity and other costs that can be reasonably estimated. 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 .....	\$16,400,000	(\$12,000,000)
Add:		
Estimated future recoveries .....	13,500,000	
Provision for estimated costs to complete proceedings .....		(12,385,211)
Less:		
Recoveries estimated previously .....	(15,200,000)	
Advances to trustees .....		14,785,211
Balance, end of year .....	<u>\$14,700,000</u>	<u>(\$ 9,600,000)</u>

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

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

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

#### 5. Commitment

SIPC occupies office space under a lease expiring December 31, 1987 and renewable for five years. Future minimum annual rentals, \$299,309 for 1985 through 1987, aggregate \$897,927. 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 1984 totalled \$311,748.

#### 6. Retirement Plan

SIPC has a non-contributory retirement plan covering all employees.

As of January 1, 1985, the most recent actuarial valuation date, the market value of plan assets was \$1,847,482, and the present value of accumulated plan benefits based on an assumed interest rate of 9.5 percent per annum, calculated in accordance with Statement No. 36 of the Financial Accounting Standards Board, was as follows:

Vested:	
Retired members and survivors	
currently receiving payments .....	\$ 306,198
Other members .....	729,283
	1,035,481
Non-vested .....	169,899
	<u>\$1,205,380</u>

APPENDIX I

Customer Protection Proceedings

PART A: Customer Claims and Distributions Being Processed

Member and Trustee By Date of Appointment	Date Regis- tered as Broker-Dealer	Filing Date	Trustee Appointed	Customers <sup>(a)</sup> To Whom Notices and Claim Forms Were Mailed	Responses <sup>(a)</sup> Received
California Municipal Investors, Inc., Los Angeles, California (Theodore B. Stolman, Esq.)	1/ 9/76	1/31/84	1/31/84	16,000	1,794
Southeast Securities of Florida, Inc., Hoboken, New Jersey (David J. Sheehan, Esq.)	11/16/81	1/31/84	2/13/84	20,000	11,653
MV Securities, Inc., a/k/a Multi-Vest Securities, Inc., New York, New York (Lee S. Richards, III, Esq.)	4/ 8/76	3/14/84	3/14/84	8,246	1,346
American Western Securities, Inc., Denver, Colorado (SIPC)	9/ 1/72	4/10/84	4/24/84	20,000	131
June S. Jones Co., Portland, Oregon (Robert H. Huntington, Esq.)	2/ 1/59	6/ 4/84	6/ 6/84	3,000	550
First Interwest Securities Corp., Denver, Colorado (Glen E. Keller, Jr., Esq.)	4/25/83	6/ 7/84	6/ 7/84	6,785	2,123
Vantage Securities of Colorado, Inc., Englewood, Colorado (Glen E. Keller, Jr., Esq.)	4/ 1/81	11/30/84	11/30/84	20,000	1,960
<b>TOTAL 7 MEMBERS: PART A</b>				<u>94,031</u>	<u>19,557</u>



December 31, 1984

Distributions From Debtor's Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
\$ 31,786,350	1,500	\$ 4,086,694	\$ 66,202		\$ 4,020,492		
27,098,007	11,543	2,508,738	1,175,165		414,642	\$ 918,931	1,476
18,550,791	1,200	1,045,513	10,000	\$ 130,000	476,569	428,944	63
		23,253	19,417		119	3,717	2
		425,349	15,000		410,349		3,400
		346,643	92,000		56,662	197,981	66
		61,200	61,200				
<u>\$ 77,435,148</u>	<u>14,243</u>	<u>\$ 8,497,390</u>	<u>\$ 1,438,984</u>	<u>\$ 130,000</u>	<u>\$ 5,378,833</u>	<u>\$ 1,549,573</u>	<u>5,007</u>

APPENDIX I

Customer Protection Proceedings

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

Member and Trustee By Date of Appointment	Date Regis- tered as Broker-Dealer	Filing Date	Trustee Appointed	Customers <sup>(a)</sup> To Whom Notices and Claim Forms Were Mailed	Responses <sup>(a)</sup> 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
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	625
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
Investors Security Corp., Monroeville, Pennsylvania (Thomas P. Ravis, Esq.)	5/ 8/66	9/15/75	9/15/75	4,300	244

†Recovery of assets and appreciation of debtor's investments after the filing date enabled the Trustee to repay SIPC its advances plus interest.

\*Successor Trustee

December 31, 1984

Distributions From Debtor's Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
\$ 1,125,877	253	\$ (871,631)†	\$ (871,631)				
131,585	45	224,327	143,862	\$ 27,604	\$ 16,034	\$ 36,827	33
814,261	491	660,213	446,230	24,044	16,368	173,571	233
1,800	1	463,303	327,098	59,071	33,710	43,424	45
360,006	276	1,558,458	435,943	18,163	980,074	124,278	361
776,386	12,572	3,802,330	1,495,948	3,125	2,044,056	259,201	6,571
31,174	40	130,579	74,337	214	17,823	38,205	30
487,057	226	972,499	33,939	38	811,405	127,117	284
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
800	1	1,558,031	244,292		326,971	986,768	161

## APPENDIX I

## Customer Protection Proceedings

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

Member and Trustee By Date of Appointment	Date Regis- tered as Broker-Dealer	Filing Date	Trustee Appointed	Customers <sup>(a)</sup> To Whom Notices and Claim Forms Were Mailed	Responses <sup>(a)</sup> Received
Institutional Securities of Colorado, Inc., Denver, Colorado (Ralph M. Clark, Esq.)	4/27/71	9/29/76	10/ 4/76	9,000	1,780
Swift, Henke & Co., Inc., Chicago, Illinois (J. William Holland, Esq.)	5/30/65	3/14/77	3/15/77	1,350	186
I.E.S. Management Group, Inc., Irvington, New Jersey (Michael R. Griffinger, Esq.)	6/17/70	6/ 9/77	9/27/77	3,600	1,682
Link-Up + 1 Securities, Inc., Denver, Colorado (SIPC)	12/22/78	5/17/79	8/ 9/79	117	25
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
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
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	936
Joseph Sebag, Incorporated, Los Angeles, California (Eugene W. Bell, Esq.)	3/ 7/68	7/27/81	7/27/81	8,000	4,341
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)

\*Successor Trustee

December 31, 1984

Distributions From Debtor's Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
\$ 3,728,930	911	\$ 104,215			\$ 66,435	\$ 37,780	484
2,393,049	88						106
17,250	467	5,118,742				5,118,742	533
660	1	175,332	\$ 11,830		114,962	48,540	18
1,581,316	697	238,539	78,800		91,700	68,039	92
4,589,216	503	825,815	45,302		349,374	431,139	300
		1,181,605	558,890		570,123	52,592	13
		88,472	28,472			60,000	1
3,000,000 (Estimated)	1,363	3,846,370	820,370		3,026,000		1,363
2,128,941	883	4,036,171				4,036,171	1,189
6,458,025	260	1,225,806	423,334	\$ 60,804	329,980	411,688	778
27,218,033	2,417	12,020,877	310,076		5,181,095	6,529,706	1,328
25,964,581 (Estimated)	16,000 (Estimated)	5,376,365			5,376,365		16,000 (Estimated)

APPENDIX I

Customer Protection Proceedings

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

Member and Trustee By Date of Appointment	Date Regis- tered as Broker-Dealer	Filing Date	Trustee Appointed	Customers <sup>(a)</sup> To Whom Notices and Claim Forms Were Mailed	Responses <sup>(a)</sup> Received
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
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	15,796
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
MBD Investors, Inc., Enon Valley, Pennsylvania (SIPC)	9/21/73	5/27/83	5/27/83	53	46

\*Date notice published



December 31, 1984

Distributions From Debtor's Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
\$ 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	1,074,088	410,252	3,558	180,768	479,510	1,307
7,256,636		22,929,811			12,749,995	10,179,816	841
7,478	13	53,928	3,894		33,847	16,187	54
		1,855,111	116,660		1,377,087	361,364	140
		187,976	59,981		127,995		
		144,606	117,751		10,479	16,376	29
3,707,691	2,447	1,336,214	664,569		12,024	659,621	526
16,227	4	1,043,534	386,498		391,048	265,988	23
15,575,600	12,858	1,413,032	923,244		39,788	450,000	
80,755,000	2,300	39,320,945				39,320,945	6,523
		25,566	44			25,522	4
		1,305,942	12,245			1,293,697	57

APPENDIX I

## Customer Protection Proceedings

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

Member and Trustee By Date of Appointment	Date Regis- tered as Broker-Dealer	Filing Date	Trustee Appointed	Customers <sup>(a)</sup> To Whom Notices and Claim Forms Were Mailed	Responses <sup>(a)</sup> Received
Gibralco, Inc., Santa Monica, California (Alexander C. McGilvray, 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	292
Jay W. Kaufmann & Co., New York, New York (Irving H. Picard, Esq.)	4/28/62	1/23/84	1/23/84	3,000	1,131
Gattini & Co., New York, New York (William J. Rochelle, III, Esq.)	9/25/81	2/ 1/84	2/ 1/84	3,200	1,800
<b>TOTAL 42 MEMBERS: PART B</b>				<u>312,787</u>	<u>86,484</u>

December 31, 1984

Distributions From Debtor's Estates		SIPC Advances					
Value	Number of Customers	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash	Number of Customers
\$ 877,376		\$ 1,218,750	\$ 10,000		\$ 1,018,750	\$ 190,000	811
13,415		1,026,394	70,264		936,634	19,496	29
1,617,475		2,467,475			1,617,475	850,000	2,700
1,996,600	797	1,634,685	496,368	\$ 15,480	859,794	263,043	175
972,617	253	1,296,571	405,937		556,070	334,564	321
<u>\$203,686,911</u>	<u>61,717</u>	<u>\$129,389,204</u>	<u>\$ 8,425,837</u>	<u>\$ 524,572</u>	<u>\$43,330,423</u>	<u>\$77,108,372</u>	<u>48,317</u>

APPENDIX I

Customer Protection Proceedings

PART C: Proceedings Completed in 1984

Member and Trustee By Date of Appointment	Trustee Appointed	Number of Customers For Whom Trustees Have Distributed Securities and Cash	Total
Hamilton/Cooke & Co. of Florida, Inc., Miami, Florida (SIPC)	10/ 2/79	204	\$ 2,364,648
Yassin Jaffer, Chicago, Illinois (SIPC)	8/28/80	2	
A.E. Pearson, Inc., New York, New York (William J. Rochelle, III, Esq.)	1/13/82	8	31,559
G.H. Sheppard & Co., Inc., New York, New York (Jerome M. Selvers, Esq.)	3/25/75	6	141,944
Weis Securities, Inc., New York, New York (James W. Giddens, Esq.)	5/30/73 7/28/80*	32,000 (Estimated)	195,527,446
<b>TOTAL 5 MEMBERS 1984</b>		<u>32,220</u>	<u>198,065,597</u>
<b>TOTAL 123 MEMBERS 1973–1983<sup>(b)</sup></b>		<u>52,147</u>	<u>69,812,832</u>
<b>TOTAL 128 MEMBERS 1973–1984</b>		<u>84,367</u>	<u>\$267,878,429</u>

PART D: Summary

	Responses Received/ Customers Receiving Distributions	
<b>Part A:</b> 7 Members—Customer Claims and Distributions Being Processed by Trustee	19,557	\$ 77,435,148
<b>Part B:</b> 42 Members—Customer Claims (Except Problem Claims) Have Been Satisfied	86,484	203,686,911
Sub-Total	106,041	281,122,059
<b>Part C:</b> 128 Members—Proceedings Completed	84,367 <sup>(c)</sup>	267,878,429
<b>TOTAL</b>	<u>190,408</u>	<u>\$549,000,488</u>

Notes:

<sup>(a)</sup> 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.

<sup>(b)</sup> Revised from previous reports to reflect subsequent recoveries, disbursements and adjustments.

<sup>(c)</sup> Number of customers receiving securities and/or cash.

<sup>(d)</sup> To be reported at completion of liquidation.

\*Successor Trustee

†In the administration of the estate, advances to pay customers' free credit balances or cash in lieu of securities were not separately identified.

December 31, 1984

Distributions From Debtor's Estates		SIPC Advances				
For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
\$ 2,291,956	\$ 72,692	\$ 1,700			\$ 1,700	
		78,176	\$ 19,676		53,500	\$ 5,000
	31,559	155,833	58,802			97,031
11,071	130,873	86,652		\$ 1,582	26,866	58,204
183,776,183	11,751,263	3,431,356			3,431,356†	
<u>186,079,210</u>	<u>11,986,387</u>	<u>3,753,717</u>	<u>78,478</u>	<u>1,582</u>	<u>3,513,422</u>	<u>160,235</u>
<u>59,322,830</u>	<u>10,490,002</u>	<u>29,169,043</u>	<u>7,544,420</u>	<u>828,738</u>	<u>11,612,444</u>	<u>9,183,441</u>
<u>\$245,402,040</u>	<u>\$22,476,389</u>	<u>\$ 32,922,760</u>	<u>\$ 7,622,898</u>	<u>\$ 830,320</u>	<u>\$15,125,866</u>	<u>\$ 9,343,676</u>
\$ 77,435,148	(d)	\$ 8,497,390	\$ 1,438,984	\$ 130,000	\$ 5,378,833	\$ 1,549,573
<u>203,686,911</u>	(d)	<u>129,389,204</u>	<u>8,425,837</u>	<u>524,572</u>	<u>43,330,423</u>	<u>77,108,372</u>
281,122,059		137,886,594	9,864,821	654,572	48,709,256	78,657,945
<u>245,402,040</u>	<u>\$22,476,389</u>	<u>32,922,760</u>	<u>7,622,898</u>	<u>830,320</u>	<u>15,125,866</u>	<u>9,343,676</u>
<u>\$526,524,099</u>	<u>\$22,476,389</u>	<u>\$170,809,354</u>	<u>\$17,487,719</u>	<u>\$1,484,892</u>	<u>\$63,835,122</u>	<u>\$88,001,621</u>

APPENDIX II

Analysis of SIPC Revenues and Expenses  
for the Five Years Ended December 31, 1984

	1984	1983	1982	1981	1980
<b>Revenues:</b>					
Member assessments and contributions	\$52,293,859	\$36,763,866	\$ 282,096	\$ 259,506	\$ 154,169
Interest on U.S. Government securities	22,945,089	18,147,989	20,807,973	24,001,865	19,501,245
Interest on assessments	88,702	8,407	826	7,063	76
	<u>75,327,650</u>	<u>54,920,262</u>	<u>21,090,895</u>	<u>24,268,434</u>	<u>19,655,490</u>
<b>Expenses:</b>					
Salaries and employee benefits	1,533,851	1,296,849	1,195,920	1,113,512	1,069,755
Assessment collection direct costs	19,730	16,089	2,935	1,851	680
Legal fees	935,128	1,057,907	142,411	12,813	50,733
Accounting fees*	152,894	89,463	41,000	13,258	12,200
Other:	12,331	9,540	9,164	11,333	11,207
Custodian fees					
Depreciation and amortization	17,832	15,879	12,866	12,705	11,979
Directors fees and expenses	10,798	15,369	11,200	3,098	2,160
Insurance	8,634	9,297	9,792	11,265	8,284
Office supplies and expenses	121,845	85,334	55,532	57,475	59,146
Postage	18,753	15,384	9,950	8,527	7,712
Printing and mailing annual and interim reports	27,216	20,663	16,322	16,735	15,601
Publications and reference services	39,342	32,701	19,334	16,930	16,376
Rent—office space	311,748	306,300	306,440	158,394	130,725
Telephone and telegraph	20,925	20,268	23,646	25,278	24,006
Travel and subsistence	163,159	104,323	135,786	118,220	44,556
Miscellaneous	129,636	132,047	9,831	14,977	10,127
	<u>882,219</u>	<u>767,105</u>	<u>619,863</u>	<u>454,937</u>	<u>341,879</u>
	<u>3,523,822</u>	<u>3,227,413</u>	<u>2,002,129</u>	<u>1,596,371</u>	<u>1,475,247</u>
Public information program consultant's fees	—	—	—	101,411	150,503
	<u>3,523,822</u>	<u>3,227,413</u>	<u>2,002,129</u>	<u>1,697,782</u>	<u>1,625,750</u>
<b>Customer protection proceedings:</b>					
Net advances to (recoveries from):					
Trustees other than SIPC:					
Contractual commitments	63,356	(116)	277,069	47,195	(63,170)
Securities	28,776	(7,830,648)	3,327,019	51,526,215	338,650
Cash	(2,272,484)	43,986,859	7,019,471	11,585,507	755,588
	<u>(2,180,352)</u>	<u>36,156,095</u>	<u>10,623,559</u>	<u>63,158,917</u>	<u>1,031,068</u>
Administration expenses	1,555,161	787,407	3,331,870	1,292,915	974,697
	<u>(625,191)</u>	<u>36,943,502</u>	<u>13,955,429</u>	<u>64,451,832</u>	<u>2,005,765</u>
Net change in estimated future recoveries	1,600,000	(8,200,000)	2,700,000	(10,000,000)	800,000
	<u>974,809</u>	<u>28,743,502</u>	<u>16,655,429</u>	<u>54,451,832</u>	<u>2,805,765</u>
SIPC as Trustee:					
Securities	(173,839)	1,740	(900,096)	40,425	1,355,679
Cash	362,395	907,228	(356,719)	38,687	417,275
	<u>188,556</u>	<u>908,968</u>	<u>(1,256,815)</u>	<u>79,112</u>	<u>1,772,954</u>
Administration expenses	31,071	91,738	62,718	(159)	19,695
	<u>219,627</u>	<u>1,000,706</u>	<u>(1,194,097)</u>	<u>78,953</u>	<u>1,792,649</u>
Net change in estimated future recoveries	100,000	(200,000)	1,000,000	—	(1,000,000)
	<u>319,627</u>	<u>800,706</u>	<u>(194,097)</u>	<u>78,953</u>	<u>792,649</u>
Direct payments:					
Securities	—	41,921	—	—	—
Cash	—	30,823	—	—	47,250
	<u>—</u>	<u>72,744</u>	<u>—</u>	<u>—</u>	<u>47,250</u>
Administration expenses (net recoveries)	—	68	(4,733)	—	—
	<u>—</u>	<u>72,812</u>	<u>(4,733)</u>	<u>—</u>	<u>47,250</u>
Net change in estimated costs to complete proceedings					
	<u>(2,400,000)</u>	<u>(800,000)</u>	<u>(6,600,000)</u>	<u>15,400,000</u>	<u>(500,000)</u>
	<u>(1,105,564)</u>	<u>28,817,020</u>	<u>9,856,599</u>	<u>69,930,785</u>	<u>3,145,664</u>
	<u>2,418,258</u>	<u>32,044,433</u>	<u>11,858,728</u>	<u>71,628,567</u>	<u>4,771,414</u>
Excess revenues (expenses)	<u>\$72,909,392</u>	<u>\$22,875,829</u>	<u>\$ 9,232,167</u>	<u>(\$47,360,133)</u>	<u>\$14,884,076</u>

\*Includes fees and expenses of litigation related to proceedings (1984-\$127,709; 1983-\$77,763; 1982-\$25,000).



APPENDIX III

# Distributions for Accounts of Customers for the Fourteen Years Ended December 31, 1984

(In Thousands of Dollars)

	From Debtors' Estates (Including Securities) As Reported By Trustees	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
1984	184,910	(1,992)*	182,918
	<u>\$526,524</u>	<u>\$153,322</u>	<u>\$679,846</u>

\*Net recoveries.