1995

ANNUAL REPORT

25th ANNIVERSARY

SIPC

1970-1995

SECURITIES INVESTOR PROTECTION CORPORATION

SIPC

SECURITIES INVESTOR PROTECTION CORPORATION
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April 30, 1996

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

Dear Sir:

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

Clifford Hudson

Clifford Hudson
Chairman

Contents

"SIPC shall not be an agency or establishment of the United States Government . . . . SIPC shall be a membership corporation the members of which shall be all persons registered as brokers or dealers* . . . ."
—Securities Investor Protection Act of 1970 Sec. 3(a)(1)(A) & (2)(A)

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

Message From The Chairman

This twenty-fifth anniversary year marked another good year for the Securities Investor Protection Corporation, as it was for the securities industry generally. We experienced several noteworthy developments, each of which I believe was positive for SIPC. These include the following:

1. As of the end of 1995, the SIPC Fund balance was approximately $946 million and should reach the $1 billion goal set by the Board of Directors well before the target date of April 1, 1997;

2. Adler Coleman (SIPC's largest ever customer protection proceeding from the standpoint of number of accounts and value of customer assets held) was initiated. Eighty-three percent of the accounts were distributed within 21 days of the trustee's appointment, and most of the remainder were distributed within the following month;

3. Only four SIPC customer protection proceedings had to be initiated in 1995, a sign, I believe, of the continuing health of our member firms;

4. On the other hand, 18 SIPC proceedings were concluded in 1995, the second largest number of cases closed in any one year; and

5. Our newly constituted Board of Directors was confirmed by the U.S. Senate and has now been operating well for several months.

In addition, our Board of Directors has since approved action permitting SIPC member assessments to revert to the minimum annual assessment of $150 for calendar year 1996. This too represents a significant milestone for SIPC.

All in all, 1995 was a good year. Furthermore, given the sound nature of SIPC and the condition of the industry generally, we look forward to 1996 with optimism.

Clifford Hudson
Chairman

Overview of SIPC

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

Congress acted swiftly, passing the Securities Investor Protection Act of 1970, 15 U.S.C. § 78 aaa *et seq.* (SIPA). Its purpose is to afford certain protections against loss to customers resulting from broker-dealer failure and, thereby, promote investor confidence in the nation's securities markets. Currently, the limits of protection are $500,000 per customer, except that claims for cash are limited to $100,000 per customer.

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

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

The self-regulatory organizations—the exchanges and the National Association of Securities Dealers, Inc.—and the Securities and Exchange Commission (SEC) report to SIPC concerning member broker-dealers who are in or approaching financial difficulty. If SIPC determines that the customers of a member require the protection afforded by the Act, the Corporation initiates steps to commence a customer protection proceeding. This requires that SIPC apply to a Federal District Court for appointment of a trustee to carry out a liquidation. Under certain circumstances, SIPC may pay customer claims directly.

The SIPC staff, numbering 29, initiates the steps leading to the liquidation of a member, advises the trustee, his counsel and accountants, reviews claims, audits distributions of property, and carries out other activities pertaining to the Corporation's purpose. In cases where the court appoints SIPC or a SIPC employee as Trustee and in direct payment proceedings, the staff responsibilities and functions are all encompassing—from taking control of customers' and members' assets to satisfying valid customer claims and accounting for the handling of all assets and liabilities.

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

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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.

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

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

Directors

Clifford Hudson
President and Chief Executive Officer
Sonic Corp.
Chairman

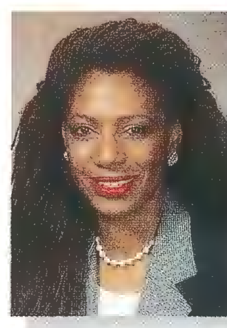
Debbie D. Branson, Esquire
The Law Offices of
Frank L. Branson, P.C.
Vice Chairman

Albert J. Dwoskin
Chain Bridge Securities

John D. Hawke, Jr.
Under Secretary
for Domestic Finance
Department of the Treasury

Charles L. Marinaccio, Esquire

Michael J. Prell
Director, Division of Research
and Statistics
Board of Governors of the
Federal Reserve System



Marianne C. Spraggins, Esquire

Officers

Michael E. Don
President

Stephen P. Harbeck
General Counsel & Secretary

Joseph F. Marino
Vice President—Operations & Finance

Customer Protection Proceedings

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

—Preamble to SIPA

Customer protection proceedings were initiated for four SIPC members in 1995, bringing the total since SIPC's inception to 250 proceedings commenced under SIPA. The 250 members represent less than one percent of the approximately 32,000 broker-dealers that have been SIPC members during the last 25 years. Currently, SIPC has 7,574 members.

The four new cases compare with two commenced in 1994. Over the last ten-year period, the annual average of new cases was six.

A trustee other than SIPC was appointed in three of the cases commenced during the year. SIPC serves as trustee in the other case. Customer protection proceedings were initiated for the following SIPC members:

Member	Date Trustee Appointed
Adler, Coleman Clearing Corp. New York, New York (Edwin B. Mishkin, Esq.)	02/27/95
Harrington Securities Corp. Williamsville, New York (SIPC)	08/14/95
U.S. Equities Management Corp. New York, New York (Irving H. Picard, Esq.)	09/22/95
Consolidated Investment Services, Inc. Littleton, Colorado (Stephen E. Snyder, Esq.)	10/17/95

Of the 250 proceedings begun under SIPA to date, 226 have been completed, 19 involve pending litigation matters, and claims in five are being processed (See Figure I and Appendix II).

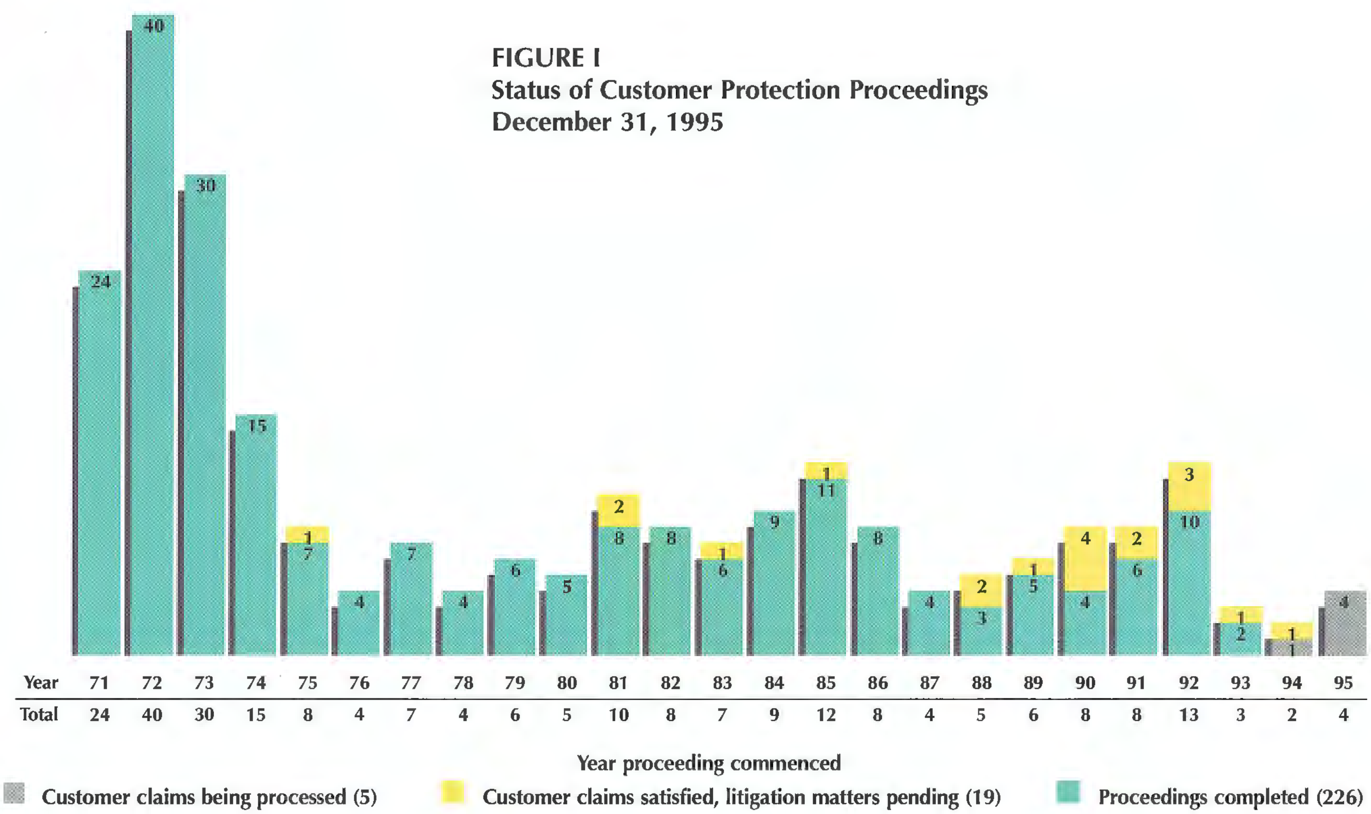
During SIPC's 25-year history, cash and securities distributed for accounts of customers aggregated approximately $2.5 billion. Of that amount, approximately $2.3 billion came from debtors' estates and $186 million came from the SIPC Fund (See Appendix I).

Claims over the Limits

Of the more than 343,000 claims satisfied in completed or substantially completed cases as of December 31, 1995, a total of 297 were for cash and securities whose value was greater than the limits of protection afforded by SIPA.

The 297 claims, a net reduction of one during 1995, represent less than one-tenth of one percent of all claims satisfied. The unsatisfied portion of claims, $17.8 million, decreased approximately $22,000 during 1995. These remaining claims approximate one percent of the total value of securi-

FIGURE I
Status of Customer Protection Proceedings
December 31, 1995



ties and cash distributed for accounts of customers in those cases.

SIPC Fund Advances

Table I shows that the 47 debtors, for which net advances of more than $1 million have been made from the SIPC Fund, accounted for 84 percent of the total advanced in all 250 customer protection proceedings. The largest net advance in a single liquidation is $30.7 million for Bell & Beckwith. This exceeds the net advances in the 179 smallest proceedings combined.

In twelve proceedings SIPC advanced $149.6 million, or 56 percent of net advances from the SIPC Fund for all proceedings.

TABLE I
Net Advances from the SIPC Fund
December 31, 1995
250 Customer Protection Proceedings

Net Advances From	Net Advances To	Number of Proceedings	Amounts Advanced
$10,000,001	up	6	$111,703,440
5,000,001	$10,000,000	6	37,867,929
1,000,001	5,000,000	35	74,203,453
500,001	1,000,000	24	17,293,823
250,001	500,000	39	13,691,122
100,001	250,000	53	8,777,179
50,001	100,000	41	2,898,025
25,001	50,000	22	802,827
10,001	25,000	10	147,450
0	10,000	9	26,087
Net recovery		5	(2,297,133)*
			$265,114,202†

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

† Consists of advances for accounts of customers ($185,775,130) and for administration expenses ($79,339,072).

Administration

With the advice and consent of the Senate, President Clinton appointed four new SIPC directors. The public director, who now serves as Vice Chairman of the Board, is Debbie D. Branson, a Dallas attorney. The three new securities industry directors are Albert J. Dwoskin, a Virginia real estate developer and owner of Chain Bridge Securities; Charles L. Marinaccio, a Washington, D.C., lawyer and former SEC Commissioner; and Marianne C. Spraggins, a lawyer in Arizona and former managing director with Smith Barney Shearson. These new directors replace Jesse D. Winzenried, who had served as SIPC's Vice Chairman; and former securities industry directors Thomas J. Healey, George H. Pfau, Jr., and Frank G. Zarb. In addition, Secretary of the Treasury Robert E. Rubin has named John D. Hawke, Jr., Under Secretary for Domestic Finance, to replace Frank N. Newman, who has left the Treasury Department.

Stephen P. Harbeck, who was SIPC's Senior Associate General Counsel, has been elected General Counsel by the Board of Directors. He will continue to serve as Secretary.

SIPC has renegotiated its lease on its present office space at favorable terms for a ten-year period beginning in September 1995.

Membership and the SIPC Fund

"SIPC shall . . . impose upon its members such assessments as, after consultation with self-regulatory organizations, SIPC may deem necessary . . . ."
—SIPA, Sec. 4(c)2

The net decrease of 40 members during the year brought the total membership to 7,574 at December 31, 1995. 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, 1995

Agents for Collection of SIPC Assessments	Total	Added(a)	Terminated(a)
National Association of Securities Dealers, Inc.	4,567	367	31
SIPC(b)	311	—	626(c)
Chicago Board Options Exchange Incorporated	1,116	122	15
New York Stock Exchange, Inc.	630	54	9
American Stock Exchange, Inc.	446	56	14
Pacific Stock Exchange, Inc.	243	47	2
Philadelphia Stock Exchange, Inc.	135	11	10
Chicago Stock Exchange, Incorporated	114	12	2
Boston Stock Exchange, Inc.	12	—	—
	7,574	669	709

Notes:

a. The numbers in this category do not reflect transfers of members to successor collection agents that occurred within 1995.

b. SIPC serves as the collection agent for registrants under section 15(b) of the 1934 Act that are not members of any self-regulatory organization.

The "SIPC" designation is an extralegal category created by SIPC for internal purposes only. It is a category by default and mirrors the SECO broker-dealer category abolished by the SEC in 1983.

c. This number reflects the temporary status of broker-dealers between the termination of membership in a self-regulatory organization and the effective date of the withdrawal or cancellation of registration under section 15(b) of the 1934 Act.

Delinquencies

Members who are delinquent in paying assessments receive notices pursuant to SIPA Section 14(a).[1] As of December 31, 1995, there were 191 members who were subjects of uncured notices, 184 of which were mailed during 1995, six during 1994, and one during 1993. Subsequent filings and payments by 58 members left 133 notices uncured. SIPC has been advised by the SEC staff that: (a) 77 member registrations have been canceled or are being withdrawn; (b) two are no longer engaged in the securities business and cancellations of their registrations have been or are being recommended; and (c) 54 are being contacted by SEC regional offices or the affected examining authorities.

SIPC Fund

The SIPC Fund, consisting of the aggregate of cash and investments in United States Government securities, amounted to $946.1 million at year end, an increase of $78.9 million during the year.

Tables III and IV present principal revenues and expenses for the years 1971 through 1995. The 1995 member assessments were $57.8 million and interest from investments was $56.8 million. During the years 1971 through 1977, 1983 through 1985 and 1989 through 1995, member assessments were based on a percentage of each member's gross revenue (net operating revenue for 1991 through 1995) from the securities business.

Appendix III is an analysis of revenues and expenses for the five years ended December 31,1995.

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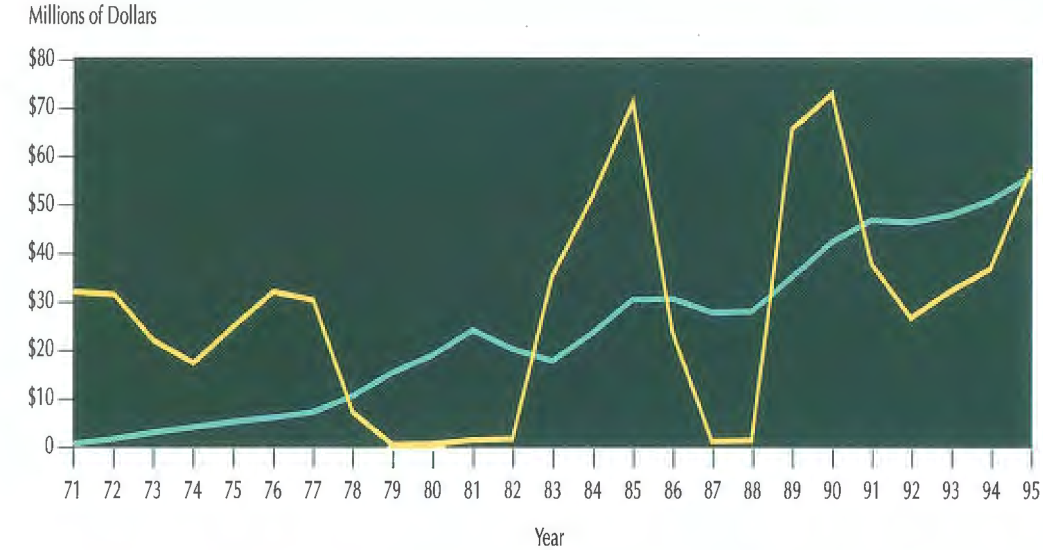
[1]14(a) Failure to Pay Assessment, etc—If a member of SIPC shall fail to file any report or information required pursuant to this Act, or shall fail to pay when due all or any part of an assessment made upon such member pursuant to this Act, and such failure shall not have been cured, by the filing of such report or information or by the making of such payment, together with interest and penalty thereon, within five days after receipt by such member of written notice of such failure given by or on behalf of SIPC, it shall be unlawful for such member, unless specifically authorized by the Commission, to engage in business as a broker or dealer. If such member denies that it owes all or any part of the full amount so specified in such notice, it may after payment of the full amount so specified commence an action against SIPC in the appropriate United States district court to recover the amount it denies owing.

TABLE III
SIPC Revenues for the Twenty-five Years Ended December 31, 1995

Member assessments and contributions: $721,816,868

Interest on U.S. Government securities: $607,714,309



History of Member Assessments*

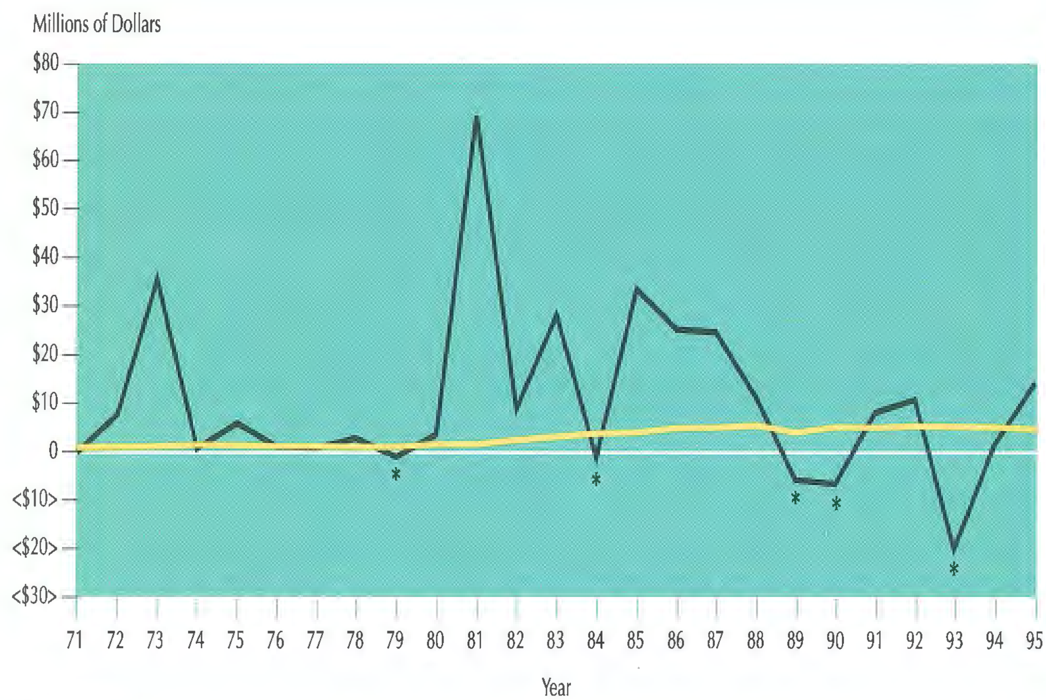
1971: ½ of 1% plus an initial assessment of ⅛ of 1% of 1969 revenues ($150 minimum).
1972-1977: ½ of 1%.
January 1-June 30, 1978: ¼ of 1%.
July 1-December 31, 1978: None.
1979-1982: $25 annual assessment.
1983-March 31, 1986: ¼ of 1% effective May 1, 1983 ($25 minimum).
1986-1988: $100 annual assessment.
1989-1990: 3/16 of 1% ($150 minimum).
1991: .065% of members' net operating revenues ($150 minimum).
1992: .057% of members' net operating revenues ($150 minimum).
1993: .054% of members' net operating revenues ($150 minimum).
1994: .073% of members' net operating revenues ($150 minimum).
1995: .095% of members' net operating revenues ($150 minimum).

* Rates based on each member's gross revenues (net operating revenues for 1991-1995) from the securities business.

TABLE IV
SIPC Expenses for the Twenty-five Years Ended December 31, 1995

Customer protection proceedings: $263,114,202 (Includes net advances of $265,114,202 less estimated future recoveries of $9,000,000 and $7,000,000 of estimated costs to complete proceedings.)

Other expenses: $86,501,769



* Net recoveries

Litigation

During 1995, SIPC and SIPA trustees were actively involved in litigation at both the trial and appellate levels. The more significant matters are summarized below.

In *Appleton v. First National Bank of Ohio,* 62 F.3d 791 (6th Cir. 1995), a trustee sued on behalf of both the debtor's estate and SIPC as subrogee to recover wrongfully diverted funds from two banks. The court of appeals upheld the trustee's position and held that (i) alter ego and authorization defenses were not available to the defendant banks; (ii) a right of subrogation exists on behalf of customers whose claims have been paid by SIPC against third parties such as the defendant banks; and (iii) the term "cash," which is not defined in SIPA, includes checks.

Three other matters were argued before United States Courts of Appeal in 1995, with opinions of the courts issued in early 1996.

In *SIPC v. Vigman,* 74 F.3d 932 and 76 F.3d 388 (9th Cir. 1996), 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 court of appeals held, in two related opinions, that (i) under the law of the case, SIPC's RICO claim was foreclosed; (ii) alternatively, SIPC waived its right to present evidence of its standing to sue for a stock parking scheme to defraud by failing to raise the issue on its previous appeal; (iii) because decisions from the United States Supreme Court and the Ninth Circuit handed down since the lower court's decision have changed controlling law, the trustees' claims based on secondary liability of defendants as conspirators or aiders and abettors were foreclosed; and (iv) the Supreme Court's 1993 decision in *Reves v. Ernst & Ernst* forecloses the trustee's RICO claims because the defendants' active participation in the scheme to defraud does not equate to "participation in the operation or management of the enterprise."

In *In re Lloyd Securities, Inc.,* 75 F.3d 853 (3d. Cir. 1996), a law firm appealed from a district court decision [183 B.R. 386 (E.D. Pa. 1995)] in favor of a trustee and SIPC, which held that neither the brokerage firm's estate nor SIPC was responsible for the payment of the firm's fees and costs in connection with the firm's representation of a number of customers in the liquidation proceeding and related litigation. The court of appeals affirmed the district court, and adopted the arguments made by the trustee and SIPC that (i) SIPC incorporates section 503 of the Bankruptcy Code and requires that a SIPA proceeding be treated like a chapter 7 bankruptcy case and (ii) because the claimed fees and costs are not recoverable in a chapter 7 proceeding, they are not recoverable here. The court also rejected the firm's argument that it was entitled to compensation under a common fund doctrine.

In *In re First Securities Group of California (Gumport v. Conn),* 78 F.3d 592 (9th Cir. 1996), the court of appeals upheld the position taken by a trustee and SIPC, holding that SIPC, as an innocent third party, was not obligated to satisfy the claims of persons who gave money to a successor, alter ego entity, rather than to the defunct brokerage firm.

In *In re Blinder, Robinson & Co., Inc. (SIPC v. Stellatos),* 169 B.R. 704 (D. Colo. 1995), the district court denied a motion for rehearing of its order [169 B.R. 704 (D. Colo. 1994)] which held that certain late-filed claims should be treated in the same manner as timely-filed customer claims, based on the "exceptional circumstances" of the late filings. An appeal to the United States Court of Appeals for the Tenth Circuit is pending (No. 95-1473).

In an adversary proceeding arising from the same liquidation, *In re Blinder, Robinson & Co., Inc.,* Adv. Pro. No. 90-1170-SBB (Bankr. D. Colo. June 5, 1995), the bankruptcy court ordered sanctions against a claimant whose claim and objection to the trustee's determination were without any good faith basis in fact or law. The court found that the claimant's objection was an abuse of judicial process and was submitted "to unreasonably and vexatiously multiply the proceedings and harass the Trustee all to the detriment of the creditors and customers of [the debtor]."

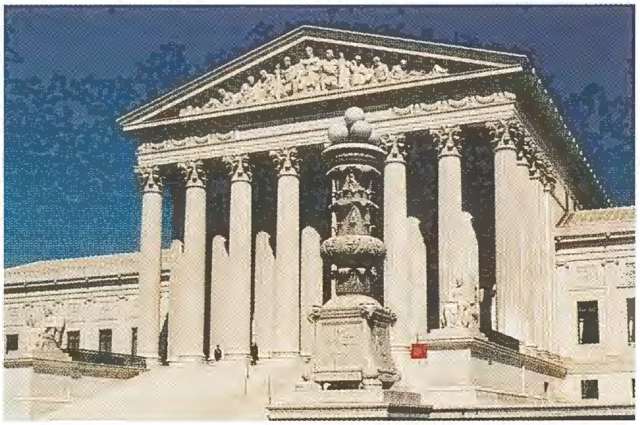
In *In re Donald Sheldon & Co., Inc. (Federal Insurance Co. v. Sheldon),* 1995 WL 527717 (S.D.N.Y., September 7, 1995), in an action by a trustee against an insurance company on a directors and officers insurance policy, the district court upheld the trustee's position that (i) exclusionary clauses in insurance policies are construed strictly to give an interpretation that is most beneficial to the insured and (ii) the Dishonesty Adjudication and Illegal Personal Gain exclusions in the policy were not applicable.

In *Barton v. SIPC,* 182 B.R. 981 (Bankr. D.N.J. 1995), an action by a claimant arising out of a claim determination by SIPC in a SIPA direct payment procedure, the bankruptcy court held that the claimant's claim for the alleged proceeds of an unexecuted sale was not eligible for protection as the claim of a "customer" because the claim was based upon a failure to execute a sell order, which is a breach of contract claim not entitled to protection under SIPA. The court further held that a threshold finding must be made that a claimant is a "customer" under SIPA and had a "customer claim" under SIPA before the SIPC Series 500 Rules, governing whether a claim is for cash or for securities (17 C.F.R. §§ 300.500 - 503), can be applied.

Disciplinary and Criminal Actions

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

*—Supreme Court Justice T. Marshall May 19, 1975**



SIPC routinely forwards to the Securities and Exchange Commission, for possible action under Section 10(b) of SIPA, the names of principals and others associated with members for which SIPC customer protection proceedings have been initiated. Those individuals are also reported to the self-regulatory organization exercising primary examining authority for appropriate action by the organization. Trustees appointed to administer customer protection proceedings and SIPC personnel cooperate with the SEC and with law enforcement authorities in their investigations of possible violations of law.

As a result of SEC and self-regulatory action in 1995, three persons associated with members subject to SIPC proceedings were barred from association with any broker or dealer.

Criminal and Administrative Actions

Criminal action has been initiated in 98 of the 250 SIPC proceedings commenced since enactment of the Securities Investor Protection Act in December 1970. A total of 215 indictments have been returned in federal or state courts, resulting in 178 convictions to date.

Administrative and/or criminal action in 235 of the 250 SIPC customer protection proceedings initiated through December 31, 1995, was accomplished as follows:

Action Initiated	Number of Proceedings
Joint SEC/Self-Regulatory Administrative Action	59
Exclusive SEC Administrative Action	36
Exclusive Self-Regulatory Administrative Action	42
Criminal and Administrative Action	87
Criminal Action Only	11
Total	235

In the 224 customer protection proceedings in which administrative action has been effected, the following sanctions have been imposed against associated persons:

	SEC	Self-Regulatory Organizations
Notice of Suspension[1]	114	103
Bar from Association	343	213
Fines	Not Applicable	$6,321,953

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

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

The $6,321,953 in fines assessed by self-regulatory authorities were levied against 116 associated persons and ranged from $250 to $1,500,000.

Members In or Approaching Financial Difficulty

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

Members on Active Referral

SIPC maintained active files on six members referred under Section 5(a) during the calendar year 1995. Two referrals were received during the year and four active referrals had been carried forward from prior years. Two of the six remained on active referral at year-end.

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

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

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

Financial Statements

Report of Ernst & Young LLP Independent Auditors

Board of Directors
Securities Investor Protection Corporation

We have audited the accompanying statement of financial position of Securities Investor Protection Corporation as of December 31, 1995, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Securities Investor Protection Corporation at December 31, 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Ernst + Young LLP

Washington, D.C.
March 14,1996

Securities Investor Protection Corporation

Statement of Financial Position
December 31, 1995

ASSETS	
Cash (Net of $1,557,475 escrowed funds)	$ 174,161
Estimated member assessments receivable (Note 3)	34,000,000
U.S. Government securities, at amortized cost and accrued interest receivable ($18,254,588); (approximate market $966,000,000) (Note 6)	945,941,844
Advances to trustees for customer protection proceedings in progress, less allowance for possible losses ($112,513,770) (Note 4)	9,000,000
Other	348,197
	$989,464,202
LIABILITIES AND NET ASSETS	
Advances to trustees — in process (Note 4)	$ 630,000
Accounts payable and accrued expenses (Note 8)	1,368,996
Estimated costs to complete customer protection proceedings in progress (Note 4)	7,000,000
Member assessments received in advance (Note 3)	550,000
	9,548,996
Commitments (Note 5)	
Net assets	979,915,206
	$989,464,202

Statement of Activities
for the year ended December 31, 1995

Revenues:	
Member assessments (Note 3)	$ 57,831,365
Interest on U.S. Government securities	56,766,631
	114,597,996
Expenses:	
Salaries and employee benefits (Note 8)	2,511,153
Legal and accounting fees (Note 4)	266,705
Credit agreement commitment fee (Note 5)	1,408,174
Rent (Note 5)	512,026
Other	686,835
	5,384,893
Provision for estimated costs to complete customer protection proceedings in progress (Note 4)	14,272,976
	19,657,869
Increase in net assets	94,940,127
Net assets, beginning of year	884,975,079
Net assets, end of year	**$979,915,206**

See notes to financial statements.

Securities Investor Protection Corporation

Statement of Cash Flows for the year ended December 31, 1995

Operating activities:	
Interest received from U.S. Government securities	$ 53,476,407
Member assessments received	43,881,366
Advances paid to trustees	(25,507,153)
Recoveries of advances	9,816,511
Salaries and other operating activities expenses paid	(5,762,165)
Net cash provided by operating activities	75,904,966
Investing activities:	
Proceeds from sales of U.S. Government securities	259,450,649
Purchases of U.S. Government securities	(335,440,338)
Purchases of furniture and equipment	(231,219)
Net cash used by investing activities	(76,220,908)
Decrease in cash	(315,942)
Cash, beginning of year	490,103
Cash, end of year	**$ 174,161**

See notes to financial statements.

Notes to Financial Statements

1. Organization and General

The Securities Investor Protection Corporation (SIPC) was created by the Securities Investor Protection Act of 1970 (SIPA), which was enacted on December 30, 1970, primarily for the purpose of providing protection to customers of its members. SIPC is a nonprofit membership corporation and shall have succession until dissolved by an Act of Congress. Its members include all persons registered as brokers or dealers under Section 15(b) of the Securities Exchange Act of 1934 except for those persons excluded under SIPA.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. The "SIPC Fund" and SIPC's Resources

The "SIPC Fund," as defined by SIPA, consists of cash and U.S. Government securities aggregating $946,116,005.

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

3. Member assessments

Member assessment rates for fiscal years beginning 1991 and thereafter are estimated according to the September 1991 by-law mandating 10% yearly growth of the SIPC Fund to $1 billion. For members' fiscal years beginning in 1995 through December 31, 1995, the assessment rate is .095% of net operating revenues from the securities business or $150, whichever is greater. For calendar year 1996 each member will pay a $150 assessment. Assessments received in advance will be applied to future assessments, or may be refunded to the member after it fulfills certain requirements.

4. Customer protection proceedings

Customer protection proceedings (proceedings) include liquidations conducted by court appointed trustees and direct payment proceedings conducted by SIPC. There are 24 proceedings in progress at December 31, 1995. Customer claims have been satisfied in 19 of these proceedings and in five proceedings customer claims and distributions are being processed.

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

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

SIPC has advanced $121.5 million for proceedings in progress to carry out its statutory obligation to satisfy customer claims and to pay administration expenses. Of this amount, $112.5 million is not expected to be recovered.

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.

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	$10,500,000	$10,400,000
Add:		
Provision for current year recoveries	1,300,000	
Provision for estimated future recoveries	7,000,000	
Provision for estimated costs to complete proceedings		22 ,100,000
Less:		
Recoveries	9,800,000	
Advances to trustees		25,500,000
Balance, end of year	$ 9,000,000	$ 7,000,000

Such accountability is reflected in reports required to be filed with the courts having jurisdiction.

5. Commitments

Future minimum annual rentals for office space under a ten-year lease effective September 1, 1995, at the rate of $410,136 for the first five years and $437,628 thereafter, total $4,102,108. Additional rental based on increases in operating expenses, including real estate taxes, and in the Consumer Price Index, is required by the lease. Rent expense for 1995 totalled $512,026.

Effective April 1, 1992, SIPC entered into a credit agreement with a consortium of banks to provide SIPC with a $1 billion revolving line of credit. A fee, which is payable quarterly on the unused portion of the commitment, was reduced from .15% per annum to .125% per annum during 1995 and further reduced to .10% per annum in 1996.

6. Fair value of securities

Approximate market of U.S. Government securities is based on the Federal Reserve Bank of New York bid quote as of December 31, 1995.

The Financial Accounting Standards Boards (FASB) has issued Statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations,* for fiscal years beginning after December 15, 1995. This will require SIPC, in 1996, to change its accounting procedure of reporting U.S. Government Securities at amortized cost to reporting them at fair value based on quoted market prices and to report gains and losses (realized and unrealized) in the statement of activities in the period in which they occur. At this time, management is unable to determine the effect this change will have on the financial statements, but does not expect it to be material.

7. Reconciliation of increase in net assets with net cash provided by operating activities:

Increase in net assets	$94,940,127
Increase in member assessments receivable	(14,000,000)
Net decrease in estimated cost to complete customer protection proceedings	(3,400,000)
Increase in amortized premium on U.S. Government securities	(1,913,849)
Net decrease in estimated recoveries of advances to trustees	1,500,000
Increase in accrued interest receivable on U.S. Government securities	(1,376,376)
Increase in payables	94,155
Other reconciling items	60,909
Net cash provided by operating activities	$75,904,966

8. Retirement Plans

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

The net periodic benefit cost for 1995 included the following components:

Defined benefit plan (actuarially determined):	
Service cost-benefits earned during 1995	$ 209,382
Interest on projected benefit obligation	466,480
Actual return on plan assets	(1,395,326)
Net amortization and deferral	896,625
Net periodic pension expense	177,161
Defined contribution plan—SIPC contributions (60% of employee contributions, up to 3.6% of salary)	60,675
Total periodic pension expense for 1995	$ 237,836

As of January 1, 1996, the most recent actuarial valuation date, the funded status of the defined benefit plan was:

Present value of benefit obligations:	
Vested benefit obligation	$(5,903,048)
Non-vested benefit obligation	(493,079)
Accumulated benefit obligation	(6,396,127)
Effect of projected future salary increases and moving IRS limitations	(1,525,084)
Projected benefit obligation	(7,921,211)
Market value of plan assets	6,958,722
Funded Status—projected benefit obligation in excess of the market value of Plan assets	(962,489)
Unrecognized net (asset)	(140,055)
Unrecognized prior service (credit)	(186,840)
Unrecognized net loss	1,833,798
Prepaid pension expense	$ 544,414

Assumptions used:	
1. Discount rate	6.5%
2. Expected long-term rate of return	9.0%
3. Average compensation increase	5.0%
4. Cost of living adjustment	3.5%

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

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

The net periodic postretirement benefit cost for 1995 included the following components:

Service cost—benefits earned during 1995	$55,832
Interest on accumulated postretirement benefit obligation	72,861
Return on plan assets	0
Amortization of unrecognized net gain	(38,126)
Net periodic postretirement benefit expense for 1995	$90,567

For measurement of the 1995 expense, a discount rate of 8% and annual rates of 11.5%/9.5% (non-Medicare/ Medicare) for increases in the health care trend factor were assumed for 1995. The trend rates were assumed to decrease gradually to 5% for 2003 and thereafter. The health care trend factor assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care trend factor by 1% in each year would increase the accumulated postretirement benefit obligation as of December 31, 1995, by about $261,000 and the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for the year ended December 31, 1995, by about $35,000.

Information regarding these plans' funded status as of December 31, 1995, net of employee contributions, provided in accordance with Statement No. 106 of the Financial Accounting Standards Board, was:

Accumulated postretirement benefit obligation:	
Currently retired employees	$ (237,522)
Fully eligible active employees	0
Currently eligible active employees	0
Other active employees	(780,461)
Net company liability	(1,017,983)
Plan assets at fair value	0
Funded status	(1,017,983)
Unrecognized net gain	(635,429)
(Accrued) postretirement benefit cost	$(1,653,412)

The discount rate used in determining the accumulated postretirement benefit obligation at December 31, 1995, was 6.5%.

APPENDIX I Distributions for Accounts of Customers for the Twenty-Five Years ended December 31, 1995

(In Thousands of Dollars)

	From Debtor's Estates As Reported by Trustees	From SIPC			Total
		Advances*	Recoveries*	Net	
1971	$ 271	$ 401		$ 401	$ 672
1972	9,300	7,347	$ (4)	7,343	16,643
1973	170,672	35,709	(4,003)	31,706	202,378
1974	21,582	4,903	(5,125)	(222)	21,360
1975	6,379	6,952	(2,206)	4,746	11,125
1976	19,901	1,292	(528)	764	20,665
1977	5,462	2,255	(2,001)	254	5,716
1978	1,242	4,200	(1,682)	2,518	3,760
1979	9,561	1,754	(6,533)	(4,779)	4,782
1980	10,163	3,846	(998)	2,848	13,011
1981	36,738	64,311	(1,073)	63,238	99,976
1982	28,442	13,807	(4,448)	9,359	37,801
1983	21,901	52,927	(15,789)	37,138	59,039
1984	184,910	11,480	(13,472)	(1,992)	182,918
1985	180,973	19,400	(11,726)	7,674	188,647
1986	28,570	14,886	(4,414)	10,472	39,042
1987	394,443	20,425	(2,597)	17,828	412,271
1988	72,052	8,707	(10,585)	(1,878)	70,174
1989	121,958	(5,481)	(10,244)	(15,725)	106,233
1990	301,237	3,960	(4,444)	(484)	300,753
1991	1,943	6,234	(2,609)	3,625	5,568
1992	34,634	7,816	(230)	7,586	42,220
1993	115,881	4,372	(9,559)	(5,187)	110,694
1994	(14,882)†	(1,283)	(3,829)	(5,112)	(19,994)
1995	585,756	17,850	(4,196)	13,654	599,410
	$2,349,089	**$308,070**	**$(122,295)**	**$185,775**	**$2,534,864**

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

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

APPENDIX II Customer Protection Proceedings

PART A: Customer Claims and Distributions Being Processed [a]

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers [b] To Whom Notices and Claim Forms Were Mailed	Responses [b] Received	Customers [b] Receiving Distributions
First Lauderdale Securities Ft. Lauderdale, Florida (SIPC)	6/04/84	11/29/94	11/29/94	1,255	124	49
Adler, Coleman Clearing Corp. New York, New York (Edwin B. Mishkin, Esq.)	12/27/84	2/27/95	2/27/95	102,000	19,753	59,000
Harrington Securities Corp. Williamsville, New York (SIPC)	6/30/87	8/10/95	8/14/95	4,220	113	10
U.S. Equities Management Corp. New York, New York (Irving H. Picard, Esq.)	9/14/93	6/09/95	9/22/95	50	15	1
Consolidated Investment Services, Inc. Littleton, Colorado (Stephen E. Snyder, Esq.)	7/16/81	10/16/95	10/17/95	2,866	25	
TOTAL 5 MEMBERS: PART A				**110,391**	**20,030**	**59,060**

December 31, 1995

Distribution of Assets Held by Debtor (c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 40,929		$ 40,929	$ 2,402,442	$ 63,097		$1,763,335	$ 576,010
567,622,547	$560,000,000	7,622,547	20,000,000			8,348,601	11,651,399
			339,971	15,500			324,471
			67,838	52,838			15,000
			33,641	33,641			
$ 567,663,476	**$560,000,000**	**$7,663,476**	**$ 22,843,892**	**$165,076**		**$10,111,936**	**$12,566,880**

APPENDIX II Customer Protection Proceedings

PART B: Customer Claims Satisfied, Litigation Matters Pending [a]

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers [b] To Whom Notices and Claim Forms Were Mailed	Responses [b] Received	Customers [b] Receiving Distributions
Executive Securities Corp. New York, New York (Cameron F. MacRae, III, Esq.)	11/08/67	2/14/75	2/14/75	7,300	2,757	2,481
First State Securities Corp. North Miami, Florida (Laurence A. Schroeder, Esq.)	6/19/75	7/24/81	7/24/81 7/17/85*	3,064	936	824
Joseph Sebag Incorporated Los Angeles, California (Eugene W. Bell, Esq.)	3/07/68	7/27/81	7/27/81	8,000	4,341	3,640
Bell & Beckwith Toledo, Ohio (Patrick A. McGraw, Esq.)	2/22/50	2/05/83	2/10/83	10,500	6,966	6,964
Donald Sheldon & Co., Inc. New York, New York (Don L. Horwitz, Esq.)	12/01/75	7/30/85	8/13/85 2/17/87*	8,300	2,469	2,362
Omni Mutual, Inc. New York, New York (Sam Scott Miller, Esq.)	10/23/80	5/25/88	5/25/88	1,100	408	372
Fitzgerald, DeArman & Roberts, Inc. Tulsa, Oklahoma (P. David Newsome, Jr., Esq.)	12/18/63	6/28/88	6/28/88	56,130	19,593	30,500
Williams Financial Group, Inc. Spokane, Washington (Joseph A. Esposito, Esq.)	6/01/87	12/07/89	12/07/89	30	24	3
First Ohio Securities Company Cleveland, Ohio (William Appleton, Esq.)	1/09/85	6/22/90	6/22/90 4/19/91*	900	200	117
Blinder, Robinson & Co., Inc. Englewood, Colorado (Glen E. Keller, Jr., Esq.)	4/23/70	7/30/90	8/01/90	215,000	64,770	61,334

* Successor Trustee

December 31, 1995

Distribution of Assets Held by Debtor (c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 5,046,753	$ 2,265,626	$ 2,781,127	$ 2,946,918	$ 669,634	$111,062	$ 1,550,934	$ 615,288
6,556,331	6,458,025	98,306	6,560,477	5,758,004	60,805	329,980	411,688
27,218,033	27,218,033		12,889,604	6,185,769		268,257	6,435,578
109,823,808	103,666,000	6,157,808	30,728,907	7,068,235			23,660,672
6,038,508	5,962,405	76,103	13,372,192	5,954,516		7,013,546	404,130
1,528,111	1,318,111	210,000	4,896,538	3,201,171			1,695,367
133,902,211	132,135,641	1,766,570	7,321,354	7,321,354			
5,243		5,243	408,782	40,227		316,055	52,500
250,000		250,000	4,053,053	1,167,269		2,823,482	62,302
108,418,603	88,186,351	20,232,252					

APPENDIX II Customer Protection Proceedings

PART B: Customer Claims Satisfied, Litigation Matters Pending [a]

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers [b] To Whom Notices and Claim Forms Were Mailed	Responses [b] Received	Customers [b] Receiving Distributions
Carolina First Securities Group, Inc. Winston-Salem, North Carolina (L. Bruce McDaniel, Esq.)	6/12/89	8/24/90	10/31/90	210	20	13
Lloyd Securities, Inc. Elkins Park, Pennsylvania (Robert E. Shields, Esq.)	6/02/61	6/06/90	12/22/90	500	163	72
Faitos & Co., Inc. Huntington, New York (Irving H. Picard, Esq.)	9/03/87	2/27/91	2/27/91	750	90	39
C. J. Wright & Company, Inc. Ocala, Florida (K. Rodney May, Esq.)	10/17/85	4/24/91	4/24/91	1,300	204	19
First Securities Group of California, Inc. Beverly Hills, California (Leonard L. Gumport, Esq.)	12/12/85	1/06/92	1/07/92	800	503	215
Sun Securities Incorporated Scottsdale, Arizona (SIPC)	2/05/85	3/16/92	3/16/92	885	78	18
Seoul Securities, Ltd. f/k/a Pantheon Capital Corp. Beverly Hills, California (SIPC)	10/28/82	3/06/92	3/17/92	135	12	1
Doviak Securities, Inc. Dallas, Texas (Jack L. Kinzie, Esq.)	8/17/88	8/11/93	8/11/93	335	29	12
Portfolio Asset Management USA Financial Group, Inc. El Paso, Texas (SIPC)	12/23/92	7/26/93	8/17/93	16,118	1,045	42
TOTAL 19 MEMBERS: PART B				**331,357**	**104,608**	**109,028**

December 31, 1995

Distribution of Assets Held by Debtor [c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 347,367	$ 314,915	$ 32,452	$ 451,212	$ 164,775			$ 286,437
1,963,115	1,625,184	337,931	3,138,862	1,169,846		$ 21,756	1,947,260
23,856	18,884	4,972	1,231,686	286,936		944,750	
565,340	980	564,360	1,938,492	10,000		1,512,853	415,639
			7,138,474	1,081,560			6,056,914
			417,750	121,440			296,310
5,453		5,453	127,696	27,696			100,000
7,230		7,230	419,538	327,843			91,695
690,770	219,944	470,826	628,343	205,412		134,465	288,466
$402,390,732	**$369,390,099**	**$33,000,633**	**$98,669,878**	**$40,761,687**	**$171,867**	**$14,916,078**	**$42,820,246**

APPENDIX II Customer Protection Proceedings

PART C: Proceedings Completed in 1995 [a]

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers [b] To Whom Notices and Claim Forms Were Mailed	Responses [b] Received	Customers [b] Receiving Distributions
The Investment Bankers, Inc. Denver, Colorado (James H. Turner, Esq.)	10/23/80	7/10/81	7/15/81	2,500	1,934	1,189
John Muir & Co. New York, New York (Harvey R. Miller, Esq.)	10/28/37	8/16/81	8/16/81	40,000	16,960	19,000
Parr Securities Corp. New York, New York (Edwin B. Mishkin, Esq.)	8/14/81	5/06/85	5/17/85	1,350	63	13
George R. Fairweather Securities, Inc. Jersey City, New Jersey (SIPC)	7/08/85	9/08/88	9/08/88	16,444	393	21
Oberweis Securities Inc. Chicago, Illinois (J. William Holland, Esq.)	12/27/78	7/10/89	6/18/90	48,000	334	97
D F W Clearing, Inc. Fort Worth, Texas (Robert G. Richardson, Esq.)	1/15/89	9/17/90	9/17/90	77,051	5,559	5,455
John M. Sorenson & Co., Inc. Houston, Texas (SIPC)	6/25/84	1/22/91	1/22/91	248	36	15
Gateway Securities, Inc. Greenwich, Connecticut (SIPC)	12/17/79	4/23/91	4/23/91	3,154	124	27
Affiliated Security Brokers, Inc. Tyler, Texas (Wayne M. Secore, Esq.)	4/10/81	9/12/91	9/12/91	2,000	92	15
T. L. Reed Securities, Inc. Irving, Texas (Jack L. Kinzie, Esq.)	6/10/87	10/08/91	10/08/91	4,500	284	19

December 31, 1995

Distribution of Assets Held by Debtor (c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 7,536,216	$ 3,648,407	$ 3,887,809	$ 1,242,773				$ 1,242,773
186,828,698	174,936,000	11,892,698	(807,520)				(807,520)
5,351,026	751,571	4,599,455	2,760,215			$ 2,760,215	
67,641	62,822	4,819	169,745	$ 123,126		16,741	29,878
1,822,771	584,622	1,238,149	2,201,916	2,201,916			
1,496,148	280,593	1,215,555	2,080,161	1,292,878	$ 39,817	56,289	691,177
33,001	28,035	4,966	407,391	148,426			258,965
414,011	354,752	59,259	183,392	177,080			6,312
39,372	26,608	12,764	955,426	532,131		166,723	256,572
446,059	301,395	144,664	461,941	461,941			

APPENDIX II Customer Protection Proceedings

PART C: Proceedings Completed in 1995 (a)

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers (b) To Whom Notices and Claim Forms Were Mailed	Responses (b) Received	Customers (b) Receiving Distributions
San Marino Securities, Inc. Salt Lake City, Utah (Herschel J. Saperstein, Esq.)	11/14/86	1/21/92	1/30/92	2,113	209	38
The Riverview Corporation Knoxville, Tennessee (SIPC)	8/17/89	2/03/92	2/03/92	300	29	7
Hyer, Bikson & Hinsen Leawood, Kansas (SIPC)	5/24/84	2/24/92	2/24/92	1,200	52	4
W. H. Farr & Co., Inc. New York, New York (Lee S. Richards, III, Esq.)	1/04/90	6/24/92	7/08/92	3,800	40	6
Wall Street of America, Inc. Norfolk, Nebraska (SIPC)	3/18/83	8/12/92	8/12/92	776	69	28
Noble Financial Corp. Los Angeles, California (Direct Payment)	9/14/87		8/19/92†	220	2	2
Monmouth Investments, Inc. Princeton, New Jersey (Direct Payment)	11/02/79		10/09/92†	147	36	15
McCarley & Associates, Inc. Greenville, South Carolina (Direct Payment)	3/01/85		1/31/94†	1,373	25	1
TOTAL 18 MEMBERS 1995				**205,176**	**26,241**	**25,952**
TOTAL 208 MEMBERS 1973 - 1994(d)				**747,951**	**219,747**	**208,312**
TOTAL 226 MEMBERS 1973 - 1995				**953,127**	**245,988**	**234,264**

† Date notice published

December 31, 1995

Distribution of Assets Held by Debtor (c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 42,984	$ 12,813	$ 30,171	$ 255,971	$ 255,971			
79,533	65,390	14,143	72,733	65,926			$ 6,807
5,007		5,007	178,254	21,094		$ 157,160	
195,628	142,264	53,364	355,653	266,746			88,907
871		871	251,521	17,818		57,000	176,703
884	884		106,405	18,867		54,390	33,148
41,318	35,288	6,030	12,927	7,159		5,768	
			58,258	13,258			45,000
204,401,168	**181,231,444**	**23,169,724**	**10,947,162**	**5,604,337**	**$ 39,817**	**3,274,286**	**2,028,722**
1,337,655,116	**1,238,467,143**	**99,187,973**	**132,653,270**	**32,807,972**	**1,181,111**	**50,939,936**	**47,724,251**
$1,542,056,284	**$1,419,698,587**	**$122,357,697**	**$143,600,432**	**$38,412,309**	**$1,220,928**	**$54,214,222**	**$49,752,973**

APPENDIX II Customer Protection Proceedings

PART D: Summary

		Customers (b) To Whom Notices and Claim Forms Were Mailed	Responses (b) Received	Customers(b) Receiving Distributions
Part A:	5 Members — Customer Claims and Distributions Being Processed	110,391	20,030	59,060
Part B:	19 Members — Customer Claims Satisfied, Litigation Matters Pending	331,357	104,608	109,028
	Sub-Total	441,748	124,638	168,088
Part C:	226 Members — Proceedings Completed	953,127	245,988	234,264
	TOTAL	**1,394,875**	**370,626**	**402,352**

Notes:

(a) Based upon information available at year-end and subject to adjustments until the case is closed.

(b) SIPA requires notice to be mailed to each person who appears to have been a customer of the debtor with an open account within the past twelve months. In order to be sure that all potential claimants have been advised of the liquidation proceeding, trustees commonly mail notice and claim forms to all persons listed on the debtor's records, even if it appears that their accounts have been closed. As a result, many more claim forms are mailed than are received. Responses Received usually exceeds Customers Receiving Distributions because responses are commonly received from customers whose accounts were previously delivered to another broker or to the customer. Responses are also received from persons who make no claim against the estate, or whose accounts net to a deficit, or who file late, incorrect, or invalid claims. The number of Customers Receiving Distributions can exceed Responses Received when the trustee transfers accounts in bulk to other brokers before claims are filed.

(c) Includes assets marshalled by Trustee after filing date and does not include payments to general creditors.

(d) Revised from previous reports to reflect subsequent recoveries, disbursements and adjustments.

December 31, 1995

Distribution of Assets Held by Debtor (c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 567,663,476	$ 560,000,000	$ 7,663,476	$ 22,843,892	$ 165,076		$10,111,936	$ 12,566,880
402,390,732	369,390,099	33,000,633	98,669,878	40,761,687	$ 171,867	14,916,078	42,820,246
970,054,208	929,390,099	40,664,109	121,513,770	40,926,763	171,867	25,028,014	55,387,126
1,542,056,284	1,419,698,587	122,357,697	143,600,432	38,412,309	1,220,928	54,214,222	49,752,973
$2,512,110,492	**$2,349,088,686**	**$163,021,806**	**$265,114,202**	**$79,339,072**	**$1,392,795**	**$79,242,236**	**$105,140,099**

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APPENDIX III Analysis of SIPC Revenues and Expenses for the Five Years Ended December 31, 1995

	1995	1994	1993	1992	1991
Revenues:					
Interest on U.S. Government securities	$ 56,715,607	$50,829,178	$48,316,768	$46,211,084	$46,962,755
Member assessments and contributions	57,831,365	37,115,454	32,612,767	27,217,374	38,851,496
Interest on assessments	51,024	23,332	19,931	21,626	112,083
	114,597,996	87,967,964	80,949,466	73,450,084	85,926,334
Expenses:					
Salaries and employee benefits	2,511,153	2,654,204	2,550,446	2,502,276	2,355,831
Legal fees	235,305	133,664	163,866	365,104	466,021
Accounting fees	31,400	20,400	22,600	19,828	18,150
Credit agreement commitment fee	1,408,174	1,925,112	2,107,570	2,471,200	1,050,000
Professional fees—other	62,196	92,418	126,212	144,580	101,730
Other:					
Assessment collection cost	15,764	13,729	9,976	13,401	19,373
Custody and bank fees	5,414	7,532	10,109	14,108	39,867
Depreciation and amortization	93,146	65,278	69,001	93,824	98,290
Directors fees and expenses	15,171	16,183	18,182	16,569	23,194
Insurance	17,796	14,837	15,518	16,802	21,908
Office supplies and expense	147,243	110,465	154,517	127,055	138,464
Postage	11,625	16,060	15,969	17,639	21,539
Printing & mailing annual report	93,302	85,197	70,789	65,022	61,270
Publications and reference services	71,734	77,269	70,488	70,087	59,545
Rent—office space	512,026	577,489	557,832	527,910	499,831
Telephone	18,152	16,070	14,727	14,555	15,214
Travel and subsistence	118,602	56,637	83,766	87,127	149,072
Miscellaneous	16,690	10,023	9,077	10,789	18,987
	1,136,665	1,066,769	1,099,951	1,074,888	1,166,554
	5,384,893	5,892,567	6,070,645	6,577,876	5,158,286
Customer protection proceedings:					
Net advances to (recoveries from):					
Trustees other than SIPC:					
Contractual commitments	100,344		(1,115)	16,875	(170,044)
Securities	7,836,701	(2,135,933)	(1,845,530)	(89,117)	2,440,407
Cash	2,865,643	(2,582,615)	(3,654,454)	6,832,922	384,308
	10,802,688	(4,718,548)	(5,501,099)	6,760,680	2,654,671
Administration expenses	2,033,094	5,565,095	4,104,982	5,285,357	7,577,331
	12,835,782	846,547	(1,396,117)	12,046,037	10,232,002
Net change in estimated future recoveries	1,500,000	1,100,000	(7,200,000)	(1,000,000)	2,300,000
	14,335,782	1,946,547	(8,596,117)	11,046,037	12,532,002
SIPC as Trustee:					
Securities	1,864,465	(1,125)	64,479	159,671	17,125
Cash	994,274	(467,608)	185,801	582,790	873,011
	2,858,739	(468,733)	250,280	742,461	890,136
Administration expenses	486,797	294,383	180,068	284,094	258,547
	3,345,536	(174,350)	430,348	1,026,555	1,148,683
Direct payments:					
Securities	(2,402)	435	16,632	60,296	
Cash	(5,476)	74,712	69,357	22,542	80,000
	(7,878)	75,147	85,989	82,838	80,000
Administration expenses	(464)	29,854	4,482	17,137	1,230
	(8,342)	105,001	90,471	99,975	81,230
Net change in estimated cost to complete proceedings	(3,400,000)	(600,000)	(12,000,000)	(1,900,000)	(3,900,000)
	14,272,976	1,277,198	(20,075,298)	10,272,567	9,861,915
	19,657,869	7,169,765	(14,004,653)	16,850,443	15,020,201
Increase in net assets	**$ 94,940,127**	**$80,798,199**	**$94,954,119**	**$56,599,641**	**$70,906,133**

Photos on pages 4, 7 and 8 courtesy of the Washington, DC Convention and Visitors Association.
Photo on page 11 courtesy of the Supreme Court Historical Society.