Annual Report
2000

Securities Investor Protection Corporation

SIPC

30th Anniversary

SECURITIES INVESTOR PROTECTION CORPORATION
805 FIFTEENTH STREET, N.W., SUITE 800
WASHINGTON, D.C. 20005-2215
(202) 371-8300 FAX (202) 371-6728
WWW.SIPC.ORG

April 30, 2001

The Honorable Laura S. Unger
Acting Chairman
Securities and Exchange Commission
450 5th St., N.W.
Washington, D.C. 20549

Dear Madam:

On behalf of the Board of Directors I submit herewith the Thirtieth 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,

Debbie D. Branson
Acting Chairman

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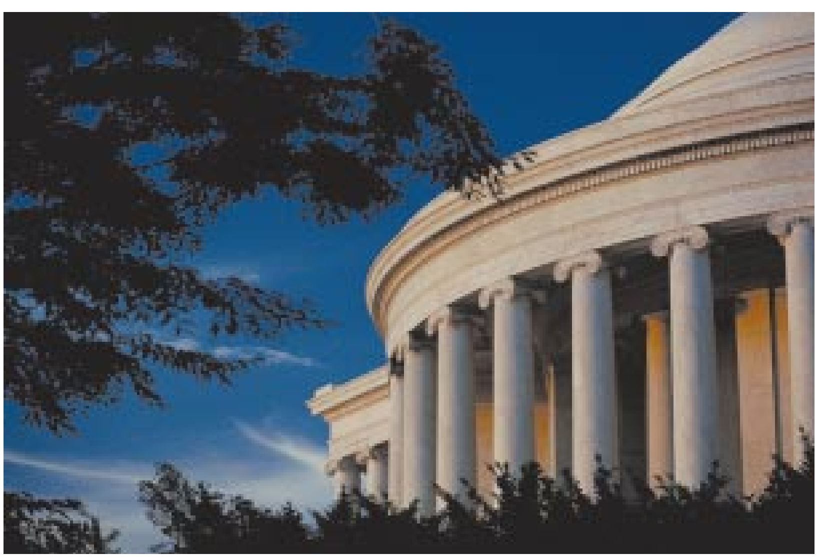


"SIPC shall not be an agency or establishment of the United States Government . . . . SIPC shall be a membership corporation the members of which shall be all persons registered as brokers or dealers* . . . ."

—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 ACTING CHAIRMAN

The year 2000 marked SIPC's 30th Anniversary. Accordingly, it is appropriate to note a few milestones:

- Since its creation on December 30, 1970, SIPC has initiated 291 customer protection proceedings, including 4 in 2001.

- In the course of those proceedings, SIPC has paid the claims of over 440,000 customers.

- To make these payments, SIPC has used available assets held by failed brokerage firms totaling more than $3.5 billion and paid approximately $260 million from its Fund.

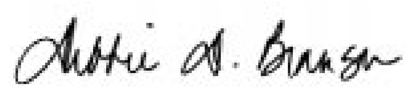
- In addition, SIPC paid out over $132 million of its Fund for the costs of administering the customer protection proceedings.

- Although the value of the SIPC Fund fluctuates with the market, at year end it exceeded $1,220,000,000.

Additional milestones have occurred since the last Annual Report. In February of 2001, Clifford Hudson, who served with distinction as SIPC's Chairman since October of 1994, resigned from the Board of Directors to devote his public service time and attention to the newly created position of Chairman of the Oklahoma City School Board. His energy and thoughtful leadership will be sorely missed. Michael Prell, who retired as Director, Division of Research and Statistics, at the Federal Reserve Board, also left SIPC's Board of Directors. Mike served as the Federal Reserve's representative on SIPC's Board of Directors for over 12 years, longer than any other Director in SIPC's history. He brought to the Board a valued perspective and critical insight. He, too, served with distinction and will be missed.

SIPC continues to be a dynamic organization. The year 2000 marked the initiation of an ambitious program of investor education, including work towards a spring 2001 relaunch of our website (www.sipc.org), which is being overhauled and expanded to make it much more "user friendly." Similarly, SIPC's current brochures are being rewritten in "plain English" so that they will also be easier to understand. The aim of our new investor education initiative is to let investors know as clearly as possible not only what they can and should expect from SIPC in terms of protection, but also what is *not* covered by SIPC.

As Acting Chairman I look forward to working with the Board of Directors, with SIPC's management, and the securities industry and its regulators to continue to carry out SIPC's mandate of investor protection.



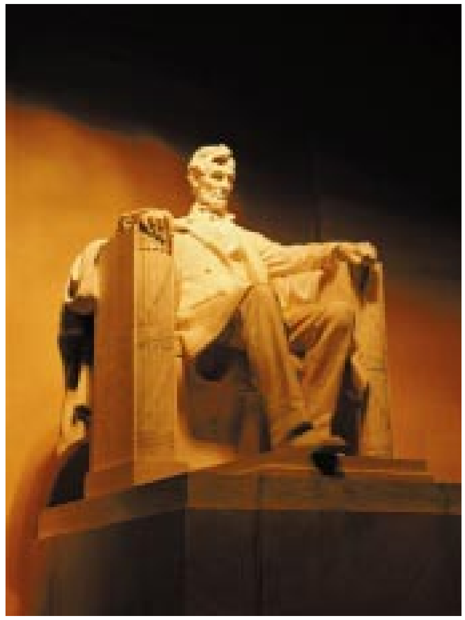
Debbie Dudley Branson
Acting Chairman of the Board

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 28, 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

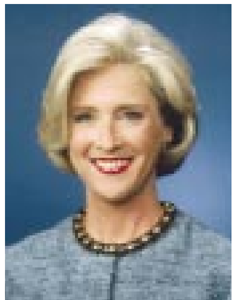
(ii) persons whose business as a broker or dealer consists exclusively of (I) the distribution of shares of registered open end investment companies or unit investment trusts, (II) the sale of variable annuities, (III) the business of insurance, or (IV) the business of rendering investment advisory services 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. The web site address for the NASD book orders is www.nasdr.com/2370.htm

Directors

Clifford Hudson
Chairman of the Board and CEO
Sonic Corp.
Chairman

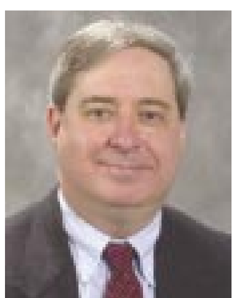


Debbie D. Branson, Esq.
The Law Offices of Frank L. Branson, P.C.
Vice Chairman

Albert J. Dwoskin
Chain Bridge Securities

Gary Gensler
Under Secretary for Domestic Finance
Department of the Treasury

Charles L. Marinaccio, Esq.
Director
Ameritrade Holding Corporation



David J. Stockton
Director, Division of Research and Statistics
Board of Governors of the Federal Reserve System

Marianne C. Spraggins, Esq.

Officers

Michael E. Don
President

Stephen P. Harbeck
General Counsel & Secretary

Philip W. Carduck
Vice President—
Operations & Finance

"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 five SIPC members in 2000, bringing the total since SIPC's inception to 287 proceedings commenced under SIPA. The 287 members represent less than one percent of the approximately 35,000 broker-dealers that have been SIPC members during the last 30 years. Currently, SIPC has 7,033 members.

The five new cases compare with nine commenced in 1999. Over the last ten-year period, the annual average of new cases was seven.

Trustees other than SIPC were appointed in two of the cases commenced during the year. SIPC serves as trustee in two cases and there was one direct payment proceeding. Customer protection proceedings were initiated for the following SIPC members:

Member	Date Trustee Appointed
Bestrade, Inc., f/k/a Bluestone Securities, Inc. El Monte, CA (SIPC)	03/02/00
New Times Securities Services, Inc. Melville, NY (James W. Giddens, Esq.)	05/18/00
Meridian Asset Management, Inc. Tallahassee, FL (SIPC)	07/31/00
Klein, Maus & Shire, Inc. New York, NY (Irving H. Picard, Esq.)	09/06/00
Morgan Grant Capital Corp. Garden City, NY (Direct Payment)	09/29/00†

†Date notice published

Of the 287 proceedings begun under SIPA to date, 254 have been completed, 20 involve pending litigation matters, and claims in 13 are being processed (See Figure I and Appendix II).

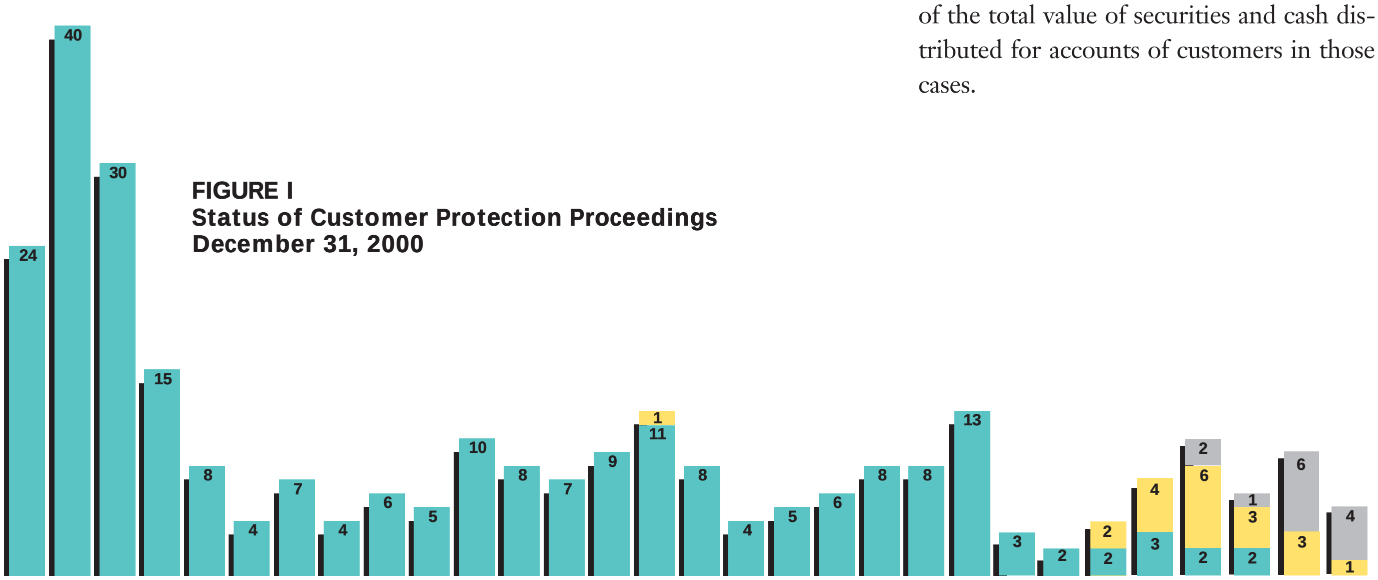
During SIPC's 30-year history, cash and securities distributed for accounts of customers aggregated approximately $3.77 billion. Of that amount, approximately $3.51 billion came from debtors' estates and $257.2 million came from the SIPC Fund (See Appendix I).

Claims over the Limits

Of the more than 427,900 claims satisfied in completed or substantially completed cases as of December 31, 2000, a total of 307 were for cash and securities whose value was greater than the limits of protection afforded by SIPA.

The 307 claims, a net increase of two during 2000, represent less than one-tenth of one percent of all claims satisfied. The unsatisfied portion of claims, $36.8 million, increased $246,000 during 2000. These remaining claims are less than two percent of the total value of securities and cash distributed for accounts of customers in those cases.

FIGURE I
Status of Customer Protection Proceedings
December 31, 2000



Year	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00
Total proceedings commenced	24	40	30	15	8	4	7	4	6	5	10	8	7	9	12	8	4	5	6	8	8	13	3	2	4	7	10	6	9	5

Customer claims being processed (13) Customer claims satisfied, litigation matters pending (20) Proceedings completed (254)

SIPC Fund Advances

Table I shows that the 68 debtors, for which net advances of more than $1 million have been made from the SIPC Fund, accounted for 87 percent of the total advanced in all 287 customer protection proceedings. The largest net advance in a single liquidation is $32.5 million in Sunpoint Securities. This exceeds the net advances in the 185 smallest proceedings combined.

In 21 proceedings SIPC advanced $244.3 million, or 62 percent of net advances from the SIPC Fund for all proceedings.

TABLE I
Net Advances from the SIPC Fund
December 31, 2000
287 Customer Protection Proceedings

Net Advances From	Net Advances To	Number of Proceedings	Amounts Advanced
$10,000,001	up	7	$153,272,002
5,000,001	$10,000,000	14	91,055,198
1,000,001	5,000,000	47	97,540,972
500,001	1,000,000	34	24,186,656
250,001	500,000	38	13,395,607
100,001	250,000	60	9,760,030
50,001	100,000	41	2,900,851
25,001	50,000	21	761,962
10,001	25,000	11	167,430
0	10,000	9	26,087
Net recovery		5	(2,297,133)*
			$390,769,662†

* 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 ($257,201,989) and for administration expenses ($133,567,673).

"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 282 members during the year brought the total membership to 7,033 at December 31, 2000. Table II shows the members' affiliation for purposes of assessment collection, as well as the year's changes therein.

Delinquencies

Members who are delinquent in paying assessments receive notices pursuant to SIPA Section 14(a).[1] As of December 31, 2000, there were 77 members who were subjects of uncured notices, 44 of which were mailed during 2000, 24 during 1999 and 1998, and nine during 1997 and 1996. Subsequent filings and payments by 13 members left 64 notices uncured. SIPC has been advised by the SEC staff that: (a) 40 member registrations have been canceled or are being withdrawn; (b) 24 are no longer engaged in the securities business and are under review by the SEC for possible revocation or cancellation of their registrations.

SIPC Fund

The SIPC Fund, consisting of the aggregate of cash and investments in United States Government securities at fair value, amounted to $1.22 billion at year end, an increase of $90 million during 2000.

Tables III and IV present principal revenues and expenses for the years 1971 through 2000. The 2000 member assessments were $1.11 million and interest from investments was $72.4 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, 2000.

[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 II
SIPC Membership
Year Ended December 31, 2000

Agents for Collection of SIPC Assessments	Total	Added(a)	Terminated(a)
National Association of Securities Dealers, Inc.	4,843	374	291
SIPC(b)	257	-	318(c)
Chicago Board Options Exchange Incorporated	836	150	171
New York Stock Exchange, Inc.	451	21	24
NASDAQ-AMEX	282	45	41
Pacific Stock Exchange, Inc.	141	21	37
Philadelphia Stock Exchange, Inc.	134	24	26
Chicago Stock Exchange, Incorporated	81	9	18
Boston Stock Exchange, Inc.	8	-	-
	7,033	644	926

Notes:

a. The numbers in this category do not reflect transfers of members to successor collection agents that occurred within 2000.

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.

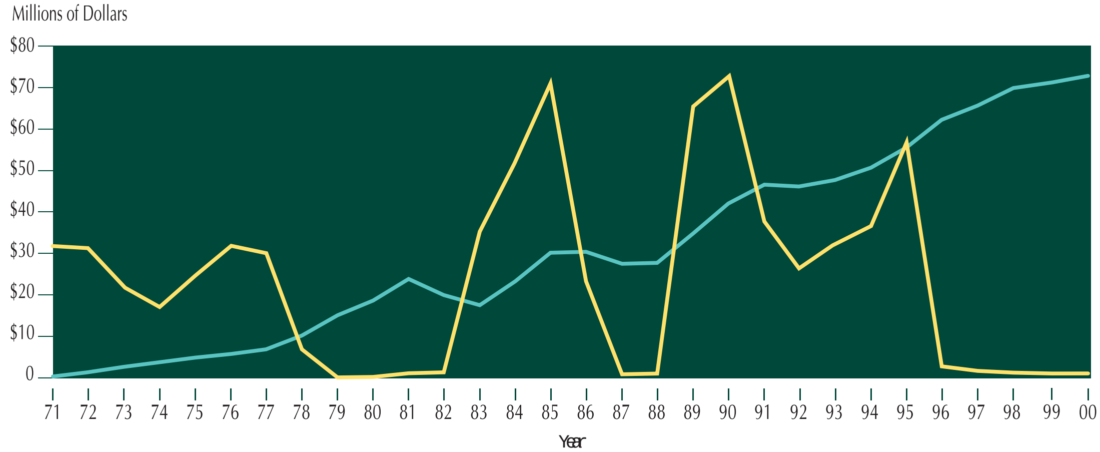
The "SIPC" designation is an extralegal category created by SIPC for internal purposes only. It is a category by default and mirrors the SECO broker-dealer category abolished by the SEC in 1983.

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.

TABLE III
SIPC Revenues for the Thirty Years Ended December 31, 2000

Member assessments and contributions: $729,227,503

Interest on U.S. Government securities: $949,327,268



History of Member Assessments*

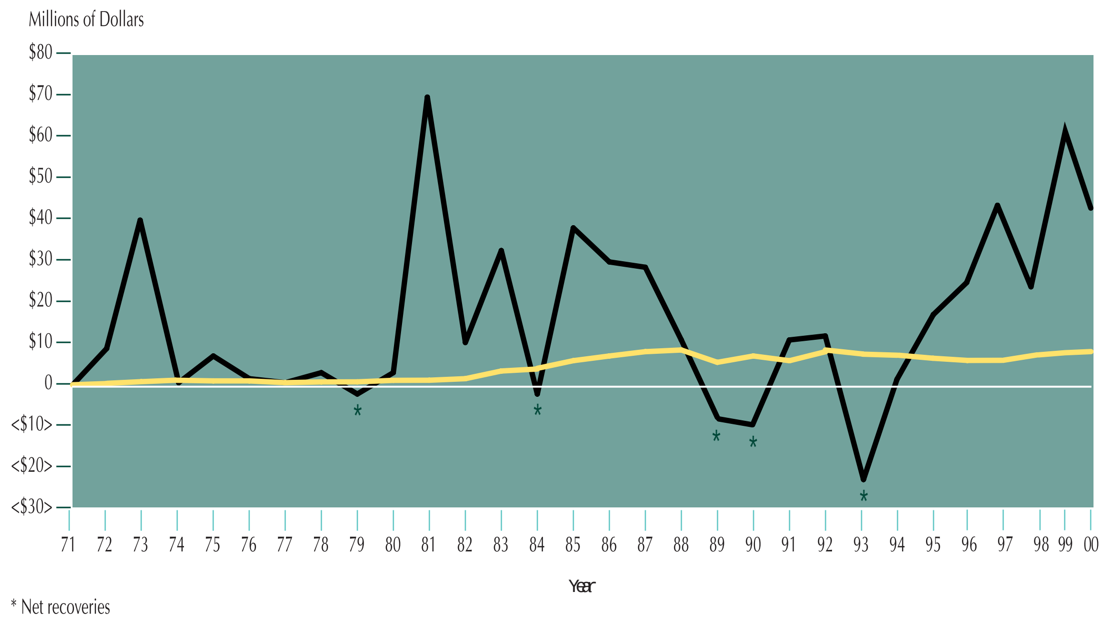
1971: ½ of 1% plus an initial assessment of ⅛ of 1% of 1969 revenues ($150 minimum).
1972-1977: ½ of 1%.
January 1-June 30, 1978: ¼ of 1%.
July 1-December 31, 1978: None.
1979-1982: $25 annual assessment.
1983-March 31, 1986: ¼ of 1% effective May 1, 1983 ($25 minimum).
1986-1988: $100 annual assessment.
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).
1996-2000: $150 annual assessment.

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

TABLE IV
SIPC Expenses for the Thirty Years Ended December 31, 2000

Customer protection proceedings: $448,069,662 (Includes net advances of $390,769,662 less estimated future recoveries of $1,600,000 and $58,900,000 of estimated costs to complete proceedings.)

Other expenses: $115,240,526



During 2000, SIPC and SIPA trustees were actively involved in litigation at both the trial and appellate levels. The more significant matters are summarized below:

In *Kusch v. Mishkin (In re Adler, Coleman Clearing Corp.)*, 208 F.3d 202 (2d Cir. 2000), the Second Circuit affirmed the decisions of the district and bankruptcy courts granting the summary judgment motion of the SIPA trustee for Adler, Coleman Clearing Corp. and SIPC's motion to dismiss the investor's complaint for failure to state a claim. The complaint sought damages allegedly caused as a result of the trustee's failure to release securities to the investor immediately upon demand, and for causing a buy-in of short securities positions held in an account at what the investor alleged were inflated prices. The Second Circuit affirmed on the reasoning of the bankruptcy court which had found that the trustee acted "legally, properly and within the scope of his discretion and authority."

In *Arford v. Miller (In re Stratton Oakmont, Inc.)*, 210 F.3d 420 (2d Cir. 2000), the Second Circuit affirmed, on the opinion of the district court, the decisions of the district and bankruptcy courts upholding the SIPA trustee's determination that (i) the claimants were not "customers" within the meaning of SIPA (a) where the claimants' securities positions were safe and secure at a clearing firm, and (b) where the insolvent broker-dealer served merely as an introducing broker with respect to the claimants' accounts and (ii) claims for the debtor's failure to execute the claimants' orders to sell securities did not constitute conversion and were not entitled to preferred "customer" status under SIPA.

In *SIPC v. BDO Seidman, LLP*, 222 F.3d 63 (2d Cir. 2000), an action by SIPC and the SIPA trustee for A.R. Baron & Co., Inc. claiming that the debtor's accounting firm engaged in fraud, negligent misrepresentation and breach of contract by filing false audit reports on the debtor's behalf with the SEC, the Second Circuit affirmed the district court's dismissal of the claims brought by SIPC and the trustee on behalf of customers. The court found that the district court had properly dismissed the claims because there was no showing that the customers had ever relied on the misrepresentations made by the accounting firm (necessary to establish a cause of action for fraud) or any "privity-like" relationship between the customers and the accounting firm (necessary to establish a cause of action for negligence). However, the Second Circuit reversed the district court's ruling that SIPC lacked standing to sue on its own behalf. Because it was an unsettled issue of state law, the Second Circuit certified to the New York Court of Appeals the question whether under New York law, a plaintiff may state a claim for either fraudulent misrepresentation or negligent misrepresentation against an accountant with whom SIPC had minimal direct contact but whose reports were prepared with the knowledge that SIPC would receive any negative information contained therein. On February 20, 2001, the New York Court of Appeals answered the question in the negative as to both fraudulent and negligent misrepresentation claims.

In *Focht v. Heebner (In re Old Naples Securities, Inc.)*, 223 F.3d 1296 (11th Cir. 2000), an appeal by SIPC and the SIPA trustee, the Eleventh Circuit upheld the decisions of the district and bankruptcy courts that the claimants were "customers" under SIPA. First, the court found that even though the claimants had not wired money to the debtor, they nonetheless had deposited money with the debtor within the meaning of SIPA because they "had no reason to know that they were not dealing with the Debtor." Second, the court found that the investments at issue were "securities" as defined by SIPA, rejecting the appellants' argument that the claimants had either lent money to the debtor or participated in an unregistered investment contract. Third, the court rejected the appellants' argument that the investments were so unusual that they could not be considered part of the debtor's "ordinary course of business" as a brokerage. The court found that the definition of "customer" pertaining to claims for cash deposits with a brokerage does not require a special showing that the claimant entrusted the funds in the ordinary course of the brokerage's business (as required where securities are held by the broker).

In *SIPC v. Nappy (In re Nappy)*, 99-CV-7530 (JS) (E.D.N.Y. Sept. 22, 2000), the district court upheld the bankruptcy court's judgment that a debt in excess of $854,500 owed to SIPC by the former principal of a defunct broker-dealer, John Franklin & Associates, Inc., would not be discharged but would survive the principal's personal bankruptcy. SIPC had advanced funds in the SIPA liquidation of the broker-dealer and the former principal was obligated, as part of a consent agreement with the SEC, to disgorge any assets to SIPC and the SIPA trustee that the trustee determined were necessary to cover customers' claims. The bankruptcy court based its determination of nondischargeability on its finding that the former principal had embezzled funds from customers of the broker-dealer. The former principal of the debtor has requested reconsideration of the decision by the district court.

In *Horwitz v. Sheldon (In re Donald Sheldon & Co., Inc.)*, 93 F. Supp. 2d 503 (S.D.N.Y. 2000), an action by the SIPA trustee for Donald Sheldon & Co., Inc. to enforce a $9 million judgment entered in 1993 against the former president of the debtor for breach of fiduciary duty, the district court granted the motion of the trustee to compel production of documents regarding the former president's personal finances and assets. On September 22, 2000, the district court ordered that the former president of the debtor remain incarcerated on civil contempt for failure to comply with two court orders directing him to produce documents to the trustee.

In *Rounds v. SIPC*, No. EP-99-CA-115-H (W.D. Tex. Sept. 28, 2000), SIPC was successful in obtaining a declaratory judgment that the portion of a judgment assigned to SIPC remained unsatisfied. Judgment creditors had obtained a state court judgment against the plaintiff in connection with his role in a Ponzi scheme involving Consolidated Investment Services, Inc. ("CIS"), and they subsequently assigned a portion of that judgment to SIPC in exchange for advances made to them by the SIPA trustee in the liquidation of CIS. The court rejected the plaintiff's argument that payments made to the judgment creditors should be credited to the portion of the judgment assigned to SIPC. The court also rejected the plaintiff's argument that SIPC was not entitled to interest on its portion of the judgment. The plaintiff has appealed the decision to the Fifth Circuit.

In *Mitchell v. Chicago Partnership Board, Inc.*, 246 B.R. 854 (N.D. Ill. 2000), the district court upheld the bankruptcy court's order sustaining the SIPA trustee's denial of a claim for "customer" protection where the claim was based on interests in limited partnerships that were not registered with the SEC pursuant to the Securities Act of 1933. In a case of first impression in the Seventh Circuit, the court determined that although the partnership interests at issue may have been investment contracts for purposes of the federal securities laws, an investment contract constitutes a "security" under SIPA only if registered with the SEC. In so holding, the court rejected the claimant's argument that remedial statutes should be interpreted broadly in favor of those it was designed to protect, finding that such a liberal reading of SIPA would extend the protection of the statute to many more investors than Congress intended.

In *Jahre v. Axelrod (In re W.S. Clearing, Inc.)*, CV 00-706 (LGB) (C.D. Cal. Nov. 13, 2000), an action by the SIPA trustee to collect deficit balances in investors' trading accounts with the debtor, the district court affirmed the bankruptcy court's judgment that the investors were liable for such debit balances on theories of breach of contract and moneys lent. The court upheld a number of the bankruptcy court's rulings which were challenged on appeal, including the findings that (i) the clearing broker did not owe a fiduciary duty to the claimants where the clearing agreement expressly allocated responsibility between the introducing and clearing broker and (ii) the clearing broker was not liable for fraudulent or unauthorized trades of the introducing broker where the claimants had failed to show the clearing broker had knowledge of the illegal trades or caused and/or directed the trades. After having prevailed at trial in his action against the investors, the SIPA trustee was awarded attorneys fees and costs by the bankruptcy court. *In re W.S. Clearing, Inc.*, SIPA No. AD 97-01493-AA (Bankr. C.D.Cal. Dec. 29, 1999) (order entered on Jan. 4, 2000).

In *SIPC v. Consolidated Investment Services, Inc.*, Civ. Action No. 97-D-1810 (D. Colo. Nov. 21, 2000), an action by the SIPA trustee for Consolidated Investment Services, Inc. against the debtor's former principal and another entity he controlled for intentional and constructive fraudulent transfer and breach of common law and statutory fiduciary duty, the district court, following a jury trial, entered judgment in favor of the trustee in excess of $5.2 million in compensatory and punitive damages, plus $2.66 million in prejudgment interest. The matter has been appealed.

In *In re Primeline Securities Corporation*, 251 B.R. 734 (D. Kan. 2000), an appeal by SIPC and the SIPA trustee, the district court reversed the bankruptcy court's decision that claimants were "customers" within the meaning of SIPA. The district court agreed with SIPC and the SIPA trustee that even if the claimants had purchased interests in investment contracts, those interests were not "securities" under SIPA because they were not registered with the SEC. The court also held that the claimants failed to meet the definition of "customer" where they made out checks to entities other than the debtor or the debtor's clearing brokerage. Finally, the court held that the claimants' subjective beliefs that the interests would be protected by SIPA, regardless of how reasonable these beliefs may have been, were not sufficient to bring them within the protection of SIPA. The claimants have appealed the district court's decision to the Tenth Circuit.

In *In re Euro-Atlantic Securities, Inc.*, No. 98/9304A (BRL) (Bankr. S.D.N.Y.), by orders dated March 1, March 29 and May 4, 2000, on four separate motions by the SIPA trustee, the bankruptcy court upheld the trustee's determinations denying the following types of claims for "customer" protection: (i) claims for cash based on securities sales through a non-debtor entity, (ii) claims for cash based on the loss of market value of securities, (iii) claims for cash for failure to execute an order to sell securities and (iv) claims based on fraud or misrepresentation. Moreover, the court determined that a claim based on an NASD arbitration award grounded on a broker's misrepresentations, failure to execute trades and manipulative or deceptive practices, and the market loss occasioned thereby, was no different than a claim based directly on such allegations and was not entitled to "customer" protection under SIPA. Finally, the court held that a claim alleging unauthorized trading in a customer account would not be entitled to "customer" protection under SIPA unless supported by (i) a written complaint made within a reasonable period of time after receipt of a written confirmation or other written notification of a securities transaction or (ii) some other reasonably contemporaneous documentation supporting such allegation.

In *In re Hanover, Sterling & Co., Ltd.*, No. 96/8396A (SMB) (Bankr. S.D.N.Y. July 6, 2000), the bankruptcy court upheld the SIPA trustee's determination denying over 70 claims on the ground that the claimants were customers of Adler, Coleman Clearing Corp., and not of the debtor, Hanover, Sterling. The court further found that the SIPA trustee for Hanover, Sterling was neither responsible nor liable for the reversal of certain securities transactions by the SIPA trustee for Adler Coleman in the accounts of the claimants.

In *SIPC v. R.D. Kushnir & Co.*, 246 B.R. 582 (Bankr. N.D. Ill. 2000), the bankruptcy court granted the motion of SIPC, as the trustee for R.D. Kushnir, seeking the disqualification of an attorney from serving as counsel to the debtor's former president in the SIPA liquidation where that attorney had previously represented the debtor. The court found that the attorney's representation of the former president would be substantially related to his prior representation of the debtor, and that there was a presumption that the attorney had received confidential information during the course of that representation. Citing the U.S. Supreme Court decision in *CFTC v. Weintraub*, 471 U.S. 343, 358 (1985), the bankruptcy court found that as the trustee of the debtor, SIPC held the debtor's attorney-client privilege and thus had the power to waive it or not. SIPC refused to waive the privilege in this case.

In *In re W.S. Clearing, Inc.*, SIPA No. AD 97-01493-AA (Bankr. C.D.Cal. Nov. 15, 2000), the bankruptcy court upheld the SIPA trustee's determination denying "customer" status at the clearing firm for damages due to an introducing broker's unauthorized trading. The court held that such claims did not constitute "customer" claims against the clearing broker.

In *In re Old Naples Securities, Inc.*, Adv. No. 96-896 (Bankr. M.D. Fla. Feb. 9, 2000), the bankruptcy court affirmed the SIPA trustee's determinations denying two claims for a cash credit balance as "customer" claims because the moneys were not funds entrusted with the debtor for the purpose of effecting securities transactions. As respects one claimant, the court upheld the trustee's determination that the claim was for either money advanced to cover the debtor's checks that were returned for insufficient funds or a loan to the debtor, despite the claimant's attempts to characterize the transactions at issue as an "investment pool" and later as having been "for the purpose of purchasing bonds". As respects the other claimant, the court upheld the trustee's determination that the claim was for commissions and money loaned to the debtor. The claimants have appealed the bankruptcy court's decision to the district court.

DISCIPLINARY AND CRIMINAL ACTIONS

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.

Criminal and Administrative Actions

Criminal action has been initiated in 112 of the 287 SIPC proceedings commenced since enactment of the Securities Investor Protection Act in December 1970. A total of 260 indictments have been returned in federal or state courts, resulting in 229 convictions to date.

Administrative and/or criminal action in 255 of the 287 SIPC customer protection proceedings initiated through December 31, 2000, was accomplished as follows:

Action Initiated	Number of Proceedings
Joint SEC/Self-Regulatory Administrative Action	59
Exclusive SEC Administrative Action	37
Exclusive Self-Regulatory Administrative Action	47
Criminal and Administrative Action	91
Criminal Action Only	21
Total	255

In the 234 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	111
Bar from Association	345	218
Fines	Not Applicable	$9,579,714

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 $9,579,714 in fines assessed by self-regulatory authorities were levied against 127 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

During the calendar year 2000 SIPC maintained active files on six members referred under Section 5(a). Four referrals were received during the year and two active referrals had been carried forward from prior years. One of the six remained on active referral at year end.

In addition to formal referrals 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.

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

Report of Ernst & Young LLP

Independent Auditors

Board of Directors
Securities Investor Protection Corporation

We have audited the accompanying statement of financial position of Securities Investor Protection Corporation as of December 31, 2000, 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 auditing standards generally accepted in the United States. 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 as of December 31, 2000, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

McLean, Virginia
March 29, 2001

Securities Investor Protection Corporation

Statement of Financial Position
December 31, 2000

ASSETS	
Cash	$ 617,544
U.S. Government securities, at fair value and accrued interest receivable ($19,826,712); (amortized cost $1,171,558,018) (Note 6)	1,219,667,009
Advances to trustees for customer protection proceedings in progress, less allowance for possible losses ($154,673,542) (Note 4)	1,600,000
Other	332,679
	$1,222,217,232
LIABILITIES AND NET ASSETS	
Advances to trustees – in process (Note 4)	$ 830,403
Accounts payable and accrued expenses (Note 8)	2,589,563
Estimated costs to complete customer protection proceedings in progress (Note 4)	58,900,000
Member assessments received in advance (Note 3)	146,000
	62,465,966
Net assets	1,159,751,266
	$1,222,217,232

Statement of Activities
for the year ended December 31, 2000

Revenues:	
Interest on U.S. Government securities	$ 72,376,064
Member assessments (Note 3)	1,108,632
	73,484,696
Expenses:	
Salaries and employee benefits (Note 8)	3,516,593
Legal and accounting fees (Note 4)	254,684
Credit agreement commitment fee (Note 5)	1,244,268
Rent (Note 5)	447,309
Other	978,580
	6,441,434
Provision for estimated costs to complete customer protection proceedings in progress (Note 4)	43,237,059
	49,678,493
Total net revenues	23,806,203
Realized and unrealized gain on U.S. Government securities (Note 6)	59,031,530
Increase in net assets	82,837,733
Net assets, beginning of year	1,076,913,533
Net assets, end of year	**$1,159,751,266**

See notes to financial statements.

Securities Investor Protection Corporation

Statement of Cash Flows
for the year ended December 31, 2000

Operating activities:	
Interest received from U.S. Government securities	$ 72,190,935
Member assessments received	1,098,632
Advances paid to trustees	(39,543,586)
Recoveries of advances	3,469,693
Salaries and other operating activities expenses paid	(5,648,256)
Net cash provided by operating activities	31,567,418
Investing activities:	
Proceeds from sales of U.S. Government securities	104,974,724
Purchases of U.S. Government securities	(147,203,099)
Purchases of furniture and equipment	(152,784)
Net cash used in investing activities	(42,381,159)
Decrease in cash	(10,813,741)
Cash, beginning of year	11,431,285
Cash, end of year	**$ 617,544**

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.

SIPC is exempt from income taxes under 15 U.S.C. § 78 kkk(e) of SIPA. Accordingly, no provision for income taxes is required.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 $1,220,284,553.

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

For calendar year 2000 each member's assessment is $150. Assessments received in advance will be applied to future assessments, or 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 33 proceedings in progress at December 31, 2000. Customer claims have been satisfied in 20 of these proceedings and in 13 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 is subject to legal claims arising out of the proceedings and there are certain legal claims pending against SIPC seeking coverage under SIPA. These claims are considered in determining estimated costs to complete proceedings and management believes that any liabilities or settlements arising from these claims will not have a material effect on SIPC's net assets.

SIPC has advanced $156.6 million for proceedings in progress (including direct payment proceedings of $.3 million) to carry out its statutory obligation to satisfy customer claims and to pay administration expenses. Of this amount, $155.0 million is not expected to be recovered.

The following table summarizes transactions during the year that result from these proceedings:

	Customer Protection Proceedings	
	Advances to trustees, less allowance for possible losses	Estimated costs to complete
Balance, beginning of year	$3,350,000	$53,600,000
Add:		
Provision for current year recoveries	1,150,000	
Provision for estimated future recoveries	600,000	
Provision for estimated costs to complete proceedings		44,800,000
Less:		
Recoveries	3,500,000	
Advances to trustees		39,500,000
Balance, end of year	$1,600,000	$58,900,000

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

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

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

5. Commitments

Future minimum annual rentals for office space under a ten-year lease effective September 1, 1995, at the rate of $410,136 for the first five years and $437,628 thereafter, total $2,042,264. Additional rental based on increases in operating expenses, including real estate taxes, and in the Consumer Price Index, is required by the lease.

On March 31, 1999, SIPC entered into a $1 billion credit agreement with a consortium of banks, consisting of (i) a $250 million 364-day revolving credit facility with a commitment fee of .09% per year, and (ii) a $750 million 5-year revolving credit facility at .11% per year. Effective March 31, 2000, this agreement was amended to extend the $1 billion facilities forward one year with the same commitment fee rates.

On March 29, 2001, SIPC entered into a new $250 million 364-day revolving credit facility with a consortium of banks. This facility requires SIPC to pay a commitment fee of .09% per year.

6. Fair value of securities

Fair value of U.S. Government securities is based on the Federal Reserve Bank of New York bid quote as of December 31, 2000.

U.S. Government securities as of December 31, 2000, included gross unrealized gains of $48,210,806 and gross unrealized losses of $101,815.

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

Increase in net assets	$82,837,733
Realized and unrealized gain on U.S. Government securities	(59,031,530)
Net increase in estimated cost to complete customer protection proceedings	5,300,000
Increase in accrued interest receivable on U.S. Government securities	(3,252,561)
Decrease in amortized premium on U.S. Government securities	3,067,434
Net decrease in estimated recoveries of advances to trustees	1,750,000
Increase in payables	773,698
Other reconciling items	122,644
Net cash provided by operating activities	$31,567,418

8. Pensions and Other Postretirement Benefits

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

Information regarding these plans is provided in accordance with the Financial Accounting Standards Board Statement No. 132, *Employers' Disclosure about Pensions and Other Postretirement Benefits*.

	Pension Benefits	Other Postretirement Benefits
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 9,783,202	$ 2,342,291
Service cost	353,447	105,291
Interest cost	673,624	162,362
Actuarial loss	1,502,900	752,997
Benefits paid	(359,591)	(48,345)
Benefit obligation at end of year	$11,953,582	$ 3,314,596
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$ 9,426,576	-
Actual return on plan assets	(60,915)	-
SIPC contributions	-	-
Benefits paid	(359,591)	-
Fair value of plan assets at end of year	$ 9,006,070	-
Funded status	$(2,947,512)	$(3,314,596)
Unrecognized actuarial loss	3,453,134	985,602
Unrecognized prior service credit	(45,804)	-
Prepaid (accrued) benefit cost	$ 459,818	$(2,328,994)
WEIGHTED-AVERAGE ASSUMPTIONS AS OF DECEMBER 31, 2000		
Discount rate	6.50%	6.50%
Expected return on assets	9.00%	-
Rate of compensation increase	5.00%	-

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. This rate was assumed to decrease gradually to 5% for 2006 and remain at that level thereafter.

	Pension Benefits	Other Postretirement Benefits
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost	$353,447	$105,291
Interest cost	673,624	162,362
Amortization of unrecognized actuarial loss	7,001	21
Amortization of prior service credit	(7,634)	-
Expected return on assets	(833,992)	-
Benefit cost	$192,446	$267,674
DEFINED CONTRIBUTION PLAN		
SIPC contributions (60% of employee contributions, up to 3.6% of salary)	$83,514	

The assumed health care cost trend rate has a significant effect on the amounts reported.
A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components in 2000	$ 85,000	$ (69,000)
Effect on postretirement benefit obligation as of December 31, 2000	$700,000	$(590,000)

APPENDIX I

Distributions for Accounts of Customers for the Thirty Years Ended December 31, 2000

(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
1996	4,770	(1,491)	(10,625)	(12,116)	(7,346)
1997	314,813	22,366	(4,527)	17,839	332,652
1998	3,605	4,458	(1,571)	2,887	6,492
1999	477,635	47,360	(7,460)	39,900	517,535
2000	364,065	26,330	(3,413)	22,917	386,982
	$3,513,977	**$407,093**	**$(149,891)**	**$257,202**	**$3,771,179**

* 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
Stratton Oakmont, Inc. Lake Success, NY (Harvey Miller, Esq.)	1/08/87	1/24/97	1/29/97	22,630	3,368	41
First Interregional Equity Corporation Millburn, NJ (Richard W. Hill, Esq.)	9/03/77	3/06/97	3/10/97	11,097	5,416	4,999
Primeline Securities Corporation Wichita, KS (Todd Connell, Esq.)	12/20/84	1/09/98	1/09/98	4,700	251	21
Bishop, Allen, Inc. New York, NY (Direct Payment)	4/19/63		1/29/99†	1,125	27	4
John Dawson & Associates Chicago, IL (J. William Holland, Esq.)	10/30/72	4/08/99	4/13/99	6,750	125	5
GFB Securities, Inc. East Meadow, NY (Gilbert Backenroth, Esq.)	10/24/94	9/14/99	9/15/99	3,368	160	8
Texas Capital Securities Houston, TX (Direct Payment)	11/15/89		11/17/99†	4,216	84	

†Date notice published

December 31, 2000

Distribution of Assets Held by Debtor [c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 3,748,952	$ 5,109	$ 3,743,843	$ 8,001,924	$ 5,869,854		$ 702,441	$ 1,429,629
356,114,251	351,482,341	4,631,910	32,119,360	8,641,466		23,300,000	177,894
89,903	1,000	88,903	1,078,239	691,103			387,136
			108,871	11,456		83,135	14,280
72,692		72,692	2,689,135	1,133,464		633,142	922,529
			1,212,494	573,602		545,625	93,267
			19,979	19,979			

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
Sunpoint Securities, Inc. Longview, TX (Robert G. Richardson, Esq.)	11/09/89	11/19/99	11/19/99	22,234	4,534	9,738
Churchill Securities, Inc. Suffern, NY (Edward B. Mishkin, Esq.)	7/13/79	11/30/99	12/13/99	5,200	77	
New Times Securities Services, Inc. Melville, NY (James W. Giddens, Esq.)	4/19/95	2/16/00	5/18/00	3,668	890	2
Meridian Asset Management, Inc. Tallahassee, FL (SIPC)	9/25/91	7/26/00	7/31/00	1,173	114	1
Klein, Maus & Shire, Inc. New York, NY (Irving H. Picard, Esq.)	10/02/87	8/28/00	9/06/00	750	55	1
Morgan Grant Capital Corp. Garden City, NY (Direct Payment)	7/09/91		9/29/00†	14,630	310	
TOTAL 13 MEMBERS: PART A				**101,541**	**15,411**	**14,820**

†Date notice published

December 31, 2000

Distribution of Assets Held by Debtor [c]			SIPC Advances				
Total	**For Accounts of Customers**	**Administration Expenses**	**Total Advanced**	**Administration Expenses**	**Contractual Commitments**	**Securities**	**Cash**
$ 354,724,944	$ 350,816,335	$ 3,908,609	$ 32,481,085	$ 1,235,883		$15,035,313	$ 16,209,889
			726,660	726,660			
239,998		239,998	1,062,434	818,866		228,268	15,300
22,050		22,050	534,279	34,279		500,000	
			369,089	164,189		153,927	50,973
			70,664	70,664			
$ 715,012,790	**$ 702,304,785**	**$ 12,708,005**	**$ 80,474,213**	**$19,991,465**		**$41,181,851**	**$ 19,300,897**

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
Donald Sheldon & Co., Inc. New York, NY (Don L. Horwitz, Esq.)	12/01/75	7/30/85	8/13/85 2/17/87*	8,300	2,469	2,362
Adler, Coleman Clearing Corp. New York, NY (Edwin B. Mishkin, Esq.)	12/27/84	2/27/95	2/27/95	102,000	19,841	59,650
Consolidated Investment Services, Inc. Littleton, CO (Stephen E. Snyder, Esq.)	7/16/81	10/16/95	10/17/95	2,866	139	20
Hanover, Sterling & Company Ltd. New York, NY (Irving H. Picard, Esq.)	8/21/84	4/02/96	4/16/96	15,536	1,170	151
MBM Investment Corporation Houston, TX (Tony M. Davis, Esq.)	9/02/92	6/03/96	6/03/96	797	49	33
A. R. Baron & Co., Inc. New York, NY (James W. Giddens, Esq.)	11/04/91	7/03/96	7/11/96	7,826	555	227
Old Naples Securities, Inc. Naples, FL (Theodore H. Focht, Esq.)	1/17/86	8/28/96	8/28/96	2,067	136	24

*Successor Trustee

December 31, 2000

Distribution of Assets Held by Debtor [c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 57,953,449	$ 48,274,645	$ 9,678,804	$ 5,193,497	$ 5,193,497			
730,969,595	711,744,281	19,225,314	8,000,000	8,000,000			
118,000	118,000		5,879,201	5,088,563		$ 790,638	
			3,488,622	1,504,253		607,129	$1,377,240
1,608,678	881,098	727,580	9,794,796	1,113,717		7,438,471	1,242,608
34,286,332	26,986,471	7,299,861	6,433,314	6,084,117		349,197	
1,050,667	405,907	644,760	3,157,522	431,219		1,547,458	1,178,845

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
Vision Investment Group, Inc. Williamsville, NY (SIPC)	3/01/91	2/03/97	2/03/97	1,739	153	67
W.S. Clearing Inc. Glendale, CA (Charles D. Axelrod, Esq.)	6/26/91	3/07/97	3/12/97	25,600	6,658	22,726
Cygnet Securities, Inc. Waldwick, NJ (John J. Gibbons, Esq.)	8/30/91	8/26/97	8/26/97	346	60	12
Selheimer & Co. Ambler, PA (Direct Payment)	9/17/67		9/08/97†	84	11	2
Cressida Capital, Inc./ Norfolk Securities Corp. New York, NY (Elizabeth Page Smith, Esq.)	6/16/93	11/04/97	11/07/97	7,632	523	82
Chicago Partnership Board, Inc. Chicago, IL (J. William Holland, Esq.)	5/06/88	12/05/97	12/15/97	6,472	1,676	1,050
Chimneyville Investments Group, Incoporated Jackson, MS (SIPC)	1/25/95	9/01/98	9/03/98	168	33	13

†Date notice published

Distribution of Assets Held by Debtor (c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 8,767	$ 8,730	$ 37	$ 317,352	$ 30,022		$ 168,520	$ 118,810
212,375,982	207,839,387	4,536,595	10,955,031	2,610,075		8,344,956	
			2,912,086	462,879		1,583,171	866,036
			102,340	13,377			88,963
311,073	33,360	277,713	2,487,575	1,777,515		432,458	277,602
12,392,965	12,039,943	353,022	3,924,196	964,287		1,467,658	1,492,251
21,124		21,124	561,971	41,880			520,091

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
First National Equity Corp., f/k/a J. S. Securities Inc. New York, NY (Lee S. Richards, Esq.)	9/07/94	10/30/98	11/04/98	4,484	190	11
Michael William Ribant, d/b/a Trinity Capital San Diego, CA (SIPC)	10/26/92	11/16/98	11/16/98	82	51	42
CPA Advisors Network, Inc. Providence, RI (Edward J. Bertozzi Jr., Esq.)	10/27/80	12/29/98	2/12/99	1,400	72	44
Duke & Co., Inc. New York, NY (Elizabeth Page Smith, Esq.)	11/02/79	3/19/99	3/24/99	24,000	527	20
R. D. Kushnir & Co. Northbrook, IL (SIPC)	4/14/89	6/02/99	7/14/99	13,328	56	5
Bestrade, Inc., f/k/a/ Bluestone Securities, Inc. El Monte, CA (SIPC)	11/04/97	3/02/00	3/02/00	1,804	18	3
TOTAL 20 MEMBERS: PART B				226,531	34,387	86,544

December 31, 2000

	Distribution of Assets Held by Debtor [c]		SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 1,192	$ 1,192		$ 460,538	$ 356,721		$ 21,845	$ 81,972
852,056	852,056		2,364,841	92,163		1,581,805	690,873
10,314	10,314		5,984,910	680,102		5,282,308	22,500
834		$ 834	2,252,349	1,789,701		12,976	449,672
			1,607,449	923,072		445,614	238,763
13,329		13,329	223,594	63,422		148,720	11,452
$1,051,974,357	**$1,009,195,384**	**$42,778,973**	**$76,101,184**	**$37,220,582**		**$30,222,924**	**$8,657,678**

PART C: Proceedings Completed in 2000 [a]

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers [b] To Whom Notices and Claim Forms Were Mailed	Responses [b] Received	Total Customer Claims Satisfied
Blinder, Robinson & Co., Inc. Englewood, CO (Glen E. Keller, Jr., Esq.)	4/23/70	7/30/90	8/01/90	215,000	68,733	61,334
Pinnacle Financial Inc./ H. L. Camp & Co., Inc. Nashville, TN (SIPC)	11/21/85	2/29/96	3/01/96	635	111	18
AmeriNational Financial Services, Inc. Santa Monica, CA (SIPC)	9/14/93	6/04/96	7/29/96	3,189	75	5
M. Rimson & Co., Inc. New York, NY (Gilbert Backenroth, Esq.)	6/03/70	9/08/97	9/11/97	11,064	630	31
Chase Global Securities, Inc. Cleveland, OH (SIPC)	4/30/93	9/22/97	9/22/97	294	8	1
Euro-Atlantic Securities, Inc. New York, NY (Irving H. Picard, Esq.)	12/24/87	10/02/98	10/07/98	21,500	726	68
Nichols, Safina, Lerner & Co. New York, NY (Direct Payment)	11/17/93		10/30/98†	19,090	255	7
TOTAL 7 MEMBERS 2000				**270,772**	**70,538**	**61,464**
TOTAL 247 MEMBERS 1973–1999(d)				**1,075,230**	**283,807**	**279,908**
TOTAL 254 MEMBERS 1973–2000				**1,346,002**	**354,345**	**341,372**

†Date notice published

Distribution of Assets Held by Debtor (c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 124,257,036	$ 93,480,379	$ 30,776,657					
775,756	770,650	5,106	$ 595,084	$ 153,891		$ 441,193	
3,282		3,282	714,267	64,210		520,375	$ 129,682
51,966	2,600	49,366	955,307	600,804		354,503	
139,314		139,314	749,729	649,729			100,000
508,273	471,995	36,278	2,673,820	1,015,288		651,278	1,007,254
1,837	1,837		118,351	31,521			86,830
125,737,464	**94,727,461**	**31,010,003**	**5,806,558**	**2,515,443**		**1,967,349**	**1,323,766**
1,847,142,791	**1,707,749,325**	**139,393,466**	**228,387,707**	**73,840,183**	**$1,392,776**	**61,629,324**	**91,525,424**
$1,972,880,255	**$1,802,476,786**	**$170,403,469**	**$234,194,265**	**$76,355,626**	**$1,392,776**	**$63,596,673**	**$92,849,190**

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:	13	Members — Customer Claims and Distributions Being Processed	101,541	15,411	14,820
Part B:	20	Members — Customer Claims Satisfied, Litigation Matters Pending	226,531	34,387	86,544
		Sub-Total	328,072	49,798	101,364
Part C:	254	Members — Proceedings Completed	1,346,002	354,345	341,372
		TOTAL	**1,674,074**	**404,143**	**442,736**

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, 2000

Distribution of Assets Held by Debtor (c)			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 715,012,790	$ 702,304,785	$ 12,708,005	$ 80,474,213	$ 19,991,465		$ 41,181,851	$ 19,300,897
1,051,974,357	1,009,195,384	42,778,973	76,101,184	37,220,582		30,222,924	8,657,678
1,766,987,147	1,711,500,169	55,486,978	156,575,397	57,212,047		71,404,775	27,958,575
1,972,880,255	1,802,476,786	170,403,469	234,194,265	76,355,626	$1,392,776	63,596,673	92,849,190
$3,739,867,402	**$3,513,976,955**	**$225,890,447**	**$390,769,662**	**$133,567,673**	**$1,392,776**	**$135,001,448**	**$120,807,765**

APPENDIX III Analysis of SIPC Revenues and Expenses for the Five Years Ended December 31, 2000

	2000	1999	1998	1997	1996
Revenues:					
Interest on U.S. Government securities	$72,373,421	$71,424,040	$69,839,676	$66,656,807	$61,280,052
Member assessments and contributions	1,108,632	1,136,318	1,186,279	1,339,584	2,639,822
Interest on assessments	2,643	3,149	4,737	5,948	22,486
	73,484,696	72,563,507	71,030,692	68,002,339	63,942,360
Expenses:					
Salaries and employee benefits	3,516,593	3,119,030	2,890,318	2,629,970	2,611,595
Legal fees	225,684	375,095	274,539	66,469	108,638
Accounting fees	29,000	26,400	24,300	22,900	22,000
Credit agreement commitment fee	1,244,268	1,412,722	1,251,315	1,017,332	1,160,862
Professional fees—other	159,014	177,694	350,562	81,109	75,520
Other:					
Assessment collection cost	8,705	8,038	11,149	7,589	16,522
Bank fees	580	805	(1,235)	2,329	7,929
Depreciation and amortization	106,520	122,639	109,986	119,341	107,485
Directors fees and expenses	35,773	20,997	31,414	15,754	16,913
Insurance	20,367	19,809	19,414	17,385	18,405
Office supplies and expense	236,038	225,020	229,010	172,689	109,685
Postage	13,639	17,134	16,332	12,962	16,758
Printing & mailing annual report	36,542	38,000	37,934	91,526	95,578
Publications and reference services	92,175	94,789	85,661	95,383	92,601
Rent—office space	447,309	430,353	430,743	419,905	412,668
Telephone	30,275	24,008	26,101	23,313	22,098
Travel and subsistence	225,124	160,739	155,820	215,075	116,097
Miscellaneous	13,828	9,582	12,938	23,088	6,695
	1,266,875	1,171,913	1,165,267	1,216,339	1,039,434
	6,441,434	6,282,854	5,956,301	5,034,119	5,018,049
Customer protection proceedings:					
Net advances to (recoveries from):					
Trustees other than SIPC:					
Contractual commitments					(19)
Securities*	21,697,329	17,018,143	2,284,516	16,994,249	(4,620,035)
Cash*	291,122	19,785,643	719,902	(171,914)	(8,315,111)
	21,988,451	36,803,786	3,004,418	16,822,335	(12,935,165)
Administration expenses	12,009,397	9,061,034	12,784,379	11,663,353	6,411,562
	33,997,848	45,864,820	15,788,797	28,485,688	(6,523,603)
Net change in estimated future recoveries	1,750,000	(1,350,000)	2,000,000	1,500,000	3,500,000
	35,747,848	44,514,820	17,788,797	29,985,688	(3,023,603)
SIPC as Trustee:					
Securities	1,004,794	1,509,251	(208,428)	585,813	633,791
Cash	(162,720)	1,464,091	75,962	197,712	184,912
	842,074	2,973,342	(132,466)	783,525	818,703
Administration expenses	1,166,120	169,902	583,148	22,043	192,225
	2,008,194	3,143,244	450,682	805,568	1,010,928
Direct payments:					
Securities	83,135		7,912	49,505	
Cash	2,919	123,190	7,370	183,822	
	86,054	123,190	15,282	233,327	
Administration expenses	94,963	16,993	25,046	9,972	18,445
	181,017	140,183	40,328	243,299	18,445
Net change in estimated cost to complete proceedings	5,300,000	14,000,000	2,700,000	7,300,000	22,600,000
	43,237,059	61,798,247	20,979,807	38,334,555	20,605,770
	49,678,493	68,081,101	26,936,108	43,368,674	25,623,819
Total net revenues	23,806,203	4,482,406	44,094,584	24,633,665	38,318,541
Realized and unrealized gain or (loss) on U.S. Government securities	59,031,530	(85,017,167)	38,094,997	29,026,426	(16,451,399)
Increase (decrease) in net assets	**$82,837,733**	**$(80,534,761)**	**$82,189,581**	**$53,660,091**	**$21,867,142**

*1999 Securities and Cash advances restated within those categories

SECURITIES INVESTOR PROTECTION CORPORATION

805 Fifteenth Street, N.W., Suite 800
Washington, D.C. 20005-2215
(202)371-8300

Website: www.sipc.org