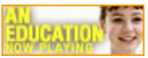

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INVESTOR BEWARE; Many Holes Weaken Safety Net For Victims of Failed Brokerages

By GRETCHEN MORGENSON
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Kevin Heebner, owner of a building supply store in Temple, Pa., got a call four years ago from his longtime stockbroker recommending an investment in short-term bonds. Assured the bonds were safe, Mr. Heebner invested $100,000.

Three months later, Mr. Heebner received a stunning phone call. The broker told him the money he had put into the bonds was gone. The president of the broker's firm, Old Naples Securities, had stolen it.

With his wife about to deliver their third child, Mr. Heebner, 36, reeled at the thought of a $100,000 loss. Then he remembered with relief that his account was insured by the Securities Investor Protection Corporation, created by Congress in 1970 to protect investors' brokerage accounts from just the sort of theft he had been a victim of. "I knew that if they didn't find the money from Old Naples Securities, I was insured through S.I.P.C.," Mr. Heebner recalled. The broker's "business card and letterhead all had S.I.P.C. logos on them; I figured S.I.P.C. would cover it."

Mr. Heebner figured wrong. For more than four years, the corporation maintained he was entitled to nothing -- even though three federal courts ruled that S.I.P.C. should pay him $87,000. Only last week, days after a reporter interviewed the lawyer representing the corporation about Mr. Heebner, did the investor receive a check in the amount of $87,000.

"I never got the sense that S.I.P.C. was in any way trying to help my client," said William P. Thornton Jr., a lawyer at Stevens & Lee in Reading Pa., representing Mr. Heebner against the corporation. "They are very aggressive in attempting to prove that investors' claims do not come within certain legal definitions within the S.I.P.C. statute. And the loser is the investor."

At a time when millions of United States citizens have taken their money out of federally insured banks and put it into brokerage firms, the Securities Investor Protection Corporation's charge of protecting the investing public has never been more important.

Officials of the S.I.P.C. defend the corporation's record and say they must be vigilant in protecting against invalid claims by investors.

But a close look at this little-understood organization shows that the safety net that investors believe the corporation offers is in fact full of holes.

Industry-financed but not government-backed, the corporation is a far cry from the

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agency on which it was loosely modeled, the Federal Deposit Insurance Corporation, which protects bank customers against losses.

Created three decades ago after a number of brokerage firm failures and securities thefts, the corporation is chartered to protect each investor with securities held at a member brokerage firm for up to $500,000; claims for cash are limited to $100,000 a customer.

But convincing the corporation to pay can be extremely difficult. The organization, requires investors to run a gantlet of legal technicalities that would challenge even those knowledgeable about securities law.

Some securities lawyers say this is because trustees overseeing the cases are chosen by, and paid by, the corporation. This differs from the independent trustees who are appointed by the court to handle corporate bankruptcy cases, and who are working for the people owed money.

Indeed, the trustees working for the investor protection corporation -- many of them from a coterie of lawyers who have made a lucrative specialty of such cases -- have received far more from representing the corporation than the corporation itself has paid to investors. Their critics say that trustees wanting repeat business from the corporation have an incentive to minimize payouts to investors. One trustee is the former president of the corporation.

In Mr. Heebner's case, the corporation made several arguments. First, because the investor had sent his money not to Old Naples but to a subsidiary, his investment was not covered. In addition, because the corporation could find no proof that bonds had ever been bought with the $100,000, the organization assumed Mr. Heebner had given the money to the brokerage firm as a loan. Lenders are not covered by the corporation.

"Although these legal arguments may follow the letter of the investor protection act, S.I.P.C.'s reliance on them is reminiscent of a private insurance company trying to use every conceivable esoteric legal stratagem to avoid customer claims," said Lewis D. Lowenfels, a lawyer at Tolins & Lowenfels in New York and a leading authority in securities law.

The list of what the corporation does not cover is long. For one thing, while $100,000 placed in a bank account insured by the Federal Deposit Insurance Corporation is covered regardless of why the bank failed, assets lost in a failed brokerage firm are not covered if the loss is a result of most kinds of securities fraud, including a failure to execute a purchase or sale of securities or misrepresentation in the sale of a stock or bond. Losses from unauthorized trading, a large problem among small brokerage firms in the 1990's, are covered only if an investor can prove to the satisfaction of corporation representatives that he complained promptly to the firm.

In addition, because the act that created the corporation covers only securities held by a failed brokerage firm, customers whose firms handle their trades through other brokerage firms may not have a claim for coverage by the corporation.

Additionally, cash held in a brokerage account that is not earmarked for a securities purchase is not covered by the organization. Nor is an investment in gold, other commodities or a limited partnership.

"The bottom line is S.I.P.C. is outdated and needs to be reviewed," said Joseph P. Borg, securities commissioner for Alabama. "It's been around since 1970, when one in 10 Americans were in the markets. Now everyone is in the markets. And everyone thinks that S.I.P.C. logo reads F.D.I.C., but the protection is very limited."

The corporation's president, Michael E. Don, disagrees with accusations that his organization does not put investors first.

"It simply is not true that protecting our fund is our interest," he said. "Our interest is to

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see to it that customers get paid." Mr. Don added that when the corporation considered an investor's claim invalid, it had no choice but to fight the investor in court, as it did Mr. Heebner.

The Beginning

Create an Equivalent Of the F.D.I.C.

The corporation started as an idea of Edmund S. Muskie, the former Democratic senator from Maine. He introduced a bill in 1969 to create a Federal Broker-Dealer Insurance Corporation that would insure brokerage firm customers against losses, as the F.D.I.C. does with bank depositors. A group representing the securities industry countered with a proposal that its chairman said would maintain public confidence in the securities markets without creating "a vast new governmental agency." The S.E.C. joined the group and drafted a proposal that was largely accepted by lawmakers.

The investor protection corporation and the F.D.I.C. are vastly different. While the F.D.I.C. is an agency of the federal government and its insurance fund is backed by the full faith and credit of the government, the corporation is financed by the securities industry and can borrow from the government, with special approval, only in emergencies. It also maintains a $1 billion line of credit with a consortium of banks.

And while bank examiners employed by the F.D.I.C. routinely monitor risks at banks, the corporation steps in only when a brokerage firm has collapsed or is close to failure.

Another difference is that a brokerage firm, no matter how large or troubled, pays just $150 a year to be a S.I.P.C. member, while payments into the F.D.I.C. insurance fund are based on a bank's size and financial health: the riskier the bank, the larger the fee. Although the healthiest banks have not had to pay into the fund for several years because it has grown so large and bank failures have been few, a financially vulnerable bank with $100 million in insured deposits would have had to pay $270,000 a year to the F.D.I.C. fund this year.

Not long ago, brokerage firms paid much more to be members of the corporation. Between 1991 and 1995, firms were levied an amount based on their net operating revenues. In 1995, for instance, members were required to pay 0.095 percent of such revenues and the organization received $43.9 million. But when the S.I.P.C. fund reached $1 billion, the corporation cut the levy to $150 a member. Last year, the corporation received $1.14 million in fees.

When a bank fails, the F.D.I.C. steps in to keep it operating or close it and return assets -- up to $100,000 per depositor -- to their rightful owners. The F.D.I.C., created in 1934, typically resolves bank failures by arranging for another institution to assume the crippled bank's deposits and other assets. This has the effect of keeping most failed banks open and operating, if under a new name.

When a brokerage firm fails, the wheels grind much more slowly. First, the corporation applies to the appropriate court to issue a protective order. If it does, the corporation chooses a trustee to oversee the liquidation of the brokerage firm.

The corporation has presided over the liquidation of 282 brokerage firms. In the 247 cases completed through the end of last year, the corporation had returned $3.38 billion to customers in cash and securities. More than 90 percent of this money -- $3.15 billion -- came straight from the accounts of customers of the failed firms.

The corporation itself has paid investors $233 million over almost 30 years. But that amount is far less than the money received by the lawyers that act as trustees and the firms that help them shepherd the cases through the bankruptcy courts, trying to recover additional assets from the failed brokerage firms and assessing customer claims for validity. Since 1971, trustees have received $320 million, 37 percent more than has been paid to wronged investors.

The money the trustee receives comes from two sources: the assets of the failed brokerage firm and the corporation itself. As is typical in most bankruptcy cases, the corporation's trustees are paid first, customers second.

The corporation made its biggest payout to investors last June when it paid $31 million to about 10,000 customers of Sunpoint Securities, a Texas brokerage firm that failed last November when some of its officials stole $25 million, according to prosecutors.

The corporation's move to repay Sunpoint customers was swift indeed. But according to people close to the case, the failure was unusual in its simplicity. Unlike most brokerage failures, which involve accounts that hold a variety of stocks and bonds, in the Sunpoint case the missing funds had been placed in a money market fund at the firm. As a result, all the customers' claims were identical and a result of the same theft, making it comparatively easy for the corporation's trustee to resolve.

Most brokerage firm liquidations drag on for years. For instance, the trustee was recently still billing for litigation in the 1985 failure of Donald Sheldon & Company, a New York brokerage firm. The corporation said that all the customers' claims it considered valid were paid early on, but that the trustee has been trying to recover assets from principals of the firm to defray the costs of administering the liquidations. Indeed, the trustee recently won $11 million from an insurance company that had underwritten officer and director insurance for the firm.

A Nasty Example

A Look at the Case Of Stratton Oakmont

The case of Stratton Oakmont, a small but notorious brokerage firm based in Lake Success, N.Y., has been particularly protracted and acrimonious. The firm was expelled from the industry by securities regulators four years ago, and the corporation stepped in after the firm was closed. Last fall, Stratton's two owners pleaded guilty to federal charges of securities fraud and money laundering; investors lost hundreds of millions of dollars during the 10 years the firm operated.

Nevertheless, of the 3,368 customers who submitted claims for S.I.P.C. coverage in the failure, as of last May only 34 had been deemed entitled, to a total of $2.1 million, according to the trustee overseeing the case. The corporation's executives and Weil Gotshal & Manges, the law firm representing the trustee in the case, argue that only 1 percent of the Stratton customers seeking remuneration from the corporation are entitled to payments.

Adam Rogoff, a partner at Weil Gotshal & Manges who is the lawyer for the trustee, Harvey R. Miller, also a partner at the firm, said: "We look for credible evidence that there was a contemporaneous reaction; we look for a letter to the company; for a complaint; for a lawsuit or an arbitration. Otherwise people take advantage of an opportunity to revisit trades and say they were unauthorized when they weren't."

Mr. Don, the corporation's president, said: "The Securities Investor Protection Corporation was not chartered by Congress to combat fraud."

While 34 investors had received $2.1 million, the professionals overseeing the case had received $7 million as of the end of May. Most of that amount -- $4.3 million in fees and expenses -- has been paid to Weil, Gotshal. The payments do not yet include the fees charged by the trustee, Mr. Miller.

Mr. Miller and his colleagues have spent a lot of time trying to recover assets of Stratton Oakmont principals. So far, success has been limited. According to bankruptcy court documents through May, Weil Gotshal, which has spent $8.8 million, has recovered $3.6 million in assets.

Mr. Rogoff, the lawyer for Mr. Miller, said: "You can't analyze it from a balance-sheet

perspective. There are costs attendant to administering the case. We have a staff; we have office space -- these are all costs relating to the process."

Asked whether the corporation is concerned about Mr. Miller's spending, Mr. Don said: "We have reason to believe that Harvey Miller has a reasonable shot at collecting substantial sums of money in this case. We take very seriously our responsibility to make sure that the trustees don't overspend the general estate's money and our money."

Indeed, Mr. Don argued that the fees charged by trustees are necessary to fend off false claims filed by investors and to locate hidden assets held by principals of failed firms.

Stephen Harbeck, general counsel at the corporation, said that trustees' bills were typically paid as submitted. "I don't believe we have made any substantial requests for adjustments because we believe the fees they have charged are appropriate to the task involved," he said.

A key problem with S.I.P.C. liquidations, some securities lawyers say, is that trustees overseeing the cases have allegiance to the corporation that appointed them, rather than to wronged investors. To be truly in the corner of investors, these people say, trustees in brokerage firm liquidations should be completely independent of the corporation, which naturally wants to protect its assets. Trustees are indeed independent in corporate or personal bankruptcy cases because they are appointed by the bankruptcy court.

Mr. Don denied that trustees work to deny claims on the corporation's behalf. "It is a false argument," he said. "Since 1970, S.I.P.C. has advanced $354 million in order to make possible the recovery of $3.3 billion in assets for an estimated 440,000 investors. S.I.P.C. estimates that more than 99 percent of eligible investors have been made whole in the failed brokerage firm cases that it has handled."

But it is impossible to say how many investors the corporation has considered ineligible over the years might have prevailed if they had had the money or tenacity to battle the corporation in multiple courts, as Mr. Heebner did.

A coterie of bankruptcy lawyers does get repeat business from the corporation. Irving H. Picard, a partner at Gibbons, Del Deo, Dolan, Griffinger & Vecchione in New York, has been appointed trustee in four brokerage firm failures the last nine years, and J. William Holland of Holland & Holland in Chicago has overseen three liquidations since 1990. Five other lawyers have overseen two or more liquidations for the corporation the last decade.

No surprise, Mr. Don said. "We look for trustees who have developed expertise in liquidating stockbrokers and satisfying customer claims," he said. "That's why we've gone back to Harvey Miller, Irving Picard and we went to Ted Focht, because there's probably no one in the country who knows more about liquidating a stockbroker than he does."

Theodore H. Focht is the trustee in the Old Naples case who kept Mr. Heebner at bay until this month. Retired and living in Florida, Mr. Focht was general counsel at the corporation when it was created and remained its chief lawyer for 24 years. According to Mr. Don, Mr. Focht wrote the 1970 statute that gives the corporation its charges. He was the corporation's president for a decade until he retired in 1995. The next year, he was appointed by the corporation to oversee the Old Naples liquidation. Mr. Focht hired the law firm of Foley & Lardner to help him litigate the case.

Mr. Focht denied Mr. Heebner's $100,000 claim for S.I.P.C. coverage from the outset. First, he said, Mr. Heebner erred by sending his investment money not to the brokerage firm but to a related entity, Old Naples Financial Inc. S.I.P.C. protection is afforded only to investors whose assets are held by the brokerage firm that fails.

In addition, Mr. Focht argued that the $100,000 Mr. Heebner had sent to his broker represented a loan to Old Naples and was not for the purchase of bonds, as the investor

said. Loans are not covered by the corporation.

Mr. Heebner's lawyer objected to the trustee's ruling, and at a hearing in February 1998 in federal bankruptcy court in Florida, the investor told his story. The next month a judge ruled that Mr. Heebner was entitled to S.I.P.C. insurance in the amount of $87,000, reflecting a reduction of $13,000 in interest the investor had earned on the investment before the failure of Old Naples.

Mr. Focht appealed to a Florida district court, which ruled for Mr. Heebner in February 1999. Mr. Focht then appealed the district court decision to the Federal Court of Appeals for the 11th Circuit, which heard arguments on the matter last May.

On Aug. 23, the appellate court ruled in favor of Mr. Heebner and two other customers with similar cases -- the other two lost a total of $610,000. Because the president of Old Naples had misappropriated clients' funds, the firm's failure was just the situation the corporation was supposed to protect against, the appellate court opinion stated.

Reached on Sept. 6, Mr. Focht said he was still deciding whether to appeal the ruling. Less than a week later, Mr. Heebner received a letter stating that he would be paid the $87,000.

Not counting Mr. Heebner and the two other investors that are now receiving remuneration on their claims, 21 of the 156 Old Naples customers seeking remuneration from the corporation had received $2 million since the firm failed.

As of last May, the most recent filing made in the case, Mr. Focht and Foley & Lardner had billed approximately $660,000 for their services.

The Catch

A Key Argument In Denying Claims

Some securities lawyers and regulators say that the arguments used by the corporation to justify the denial of Mr. Heebner's claim for more than four years are characteristic of the corporation's approach to investor protection. "It's part of the gantlet to make it as difficult as possible for an investor to make a recovery," said Mark Maddox, a former Indiana securities commissioner who is now a lawyer representing victims in the Stratton Oakmont case.

Indeed, one argument used to deny many investors' claims in the Stratton Oakmont case, if applied to all brokerage firm failures, would disqualify millions of investors from S.I.P.C. coverage even though their brokerage firms are members of the organization.

Mr. Miller, the trustee at Weil Gotshal, has argued successfully to the bankruptcy court that Stratton customers do not qualify for S.I.P.C. coverage because their assets were not held physically at Stratton, they were held at the firm that cleared Stratton's trades. The act of Congress that created the corporation states that the coverage extends only to customers of firms that hold their assets. Customers of a failed broker that used another firm to clear its trades and conduct administrative duties do not qualify.

This delineation may have made sense in 1970, when most brokerage firms cleared their own trades. But today, most of the nation's brokerage houses use clearing firms to carry out their customers' transactions and administer accounts. Using Mr. Miller's argument, customers of these firms, were they to fail, could get no satisfaction from the corporation.

"The argument may be technically correct under the law," said Mr. Borg, the Alabama securities commissioner, "but it insulates a lot of people who sell stocks. It indicates even more reason why S.I.P.C. has to be re-examined."

The corporation is overseen by a board of seven, five of whom are appointed by the president. Three of the five represent the securities industry and two, including the

chairman and vice chairman, are appointed to represent the general public. The two other directors are appointed by the secretary of the Treasury and the Federal Reserve Board.

The chairman, Clifford Hudson, is chief executive of the Sonic Corporation, an Oklahoma City operator of fast-food restaurants. Mr. Hudson, who has been chairman six years, declined to discuss specific cases. "My belief is that as the statute was originally intended, S.I.P.C. management does a good job of implementing it," he said. "There are people today who would like to see the nature of that coverage expanded. That could happen, but Congress would have to change the statute."

How the corporation compensates investors and whether it does so fairly is the subject of a study being done by the General Accounting Office that was requested by Representative John Dingell, Democrat of Michigan. The report is due next March.

Robert M. Morgenthau, the Manhattan district attorney, who has aggressively pursued fraudulent brokerage firms to help wronged investors recoup some of their losses, said: "The investor protection act has to be revisited for two reasons. It doesn't cover a majority of investors' losses, such as those incurred by fraud or malfeasance, and the red tape that is involved for investors trying to recover is incredible."

The corporation has been relatively free of scrutiny since it was created. In that period, the Securities and Exchange Commission has inspected the organization twice, once in 1985 and again in 1994. Three months ago, the S.E.C. began another regular inspection.

"We're telling people to go into the market; it's safe; it's transparent and that we're going to watch out for their interests," Mr. Borg said. "But S.I.P.C. does not provide for a lot of protection, and I think that's a defect of the law."

Photos: Harvey R. Miller of Weil Gotshal & Manges was the trustee in the Stratton Oakmont case. (Carol Halebian for The New York Times)(pg. A24); Kevin Heebner battled the Securities Investor Protection Corporation to recover part of an investment. (Sal DiMarco Jr. for The New York Times)(pg. A24) Chart: "Legal Rewards" Since 1971, the Securities Investor Protection Corporation has paid investors less than lawyers have received for their work. Investors -- $233 million Lawyers -- $320 million (Source: S.I.P.C.)(pg. A1) Chart: "How Investors Fared When They Sought Help Customers who file claims with the Securities Investor Protection Corporation sometimes ask to be reimbursed for assets they deposited with brokers that subsequently went out of business. Their claims are often denied by trustees hired by the corporation to oversee liquidations. Here are some cases the corporation has handled involving the failure of brokerage firms. In each case, the corporation says that all investor claims have been satisfied. BIGGEST CASES THAT HAD FINAL CLAIMS SETTLED IN 1999 BUT LITIGATION IS PENDING Donald Sheldon & Company TRUSTEE APPOINTED -- Aug. 1985 CUSTOMERS GETTING DISTRIBUTIONS -- 2,362 PERCENTAGE OF CLAIMS PAID -- 95.7 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- $7.40 AMOUNT RECEIVED BY TRUSTEES (millions) -- $ 11.70 Chicago Partnership Board TRUSTEE APPOINTED -- Dec. 1997 CUSTOMERS GETTING DISTRIBUTIONS -- 1,028 PERCENTAGE OF CLAIMS PAID -- 61.3 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 2.96 AMOUNT RECEIVED BY TRUSTEES (millions) -- 2.89 Hanover Sterling & Company TRUSTEE APPOINTED -- April 1996 CUSTOMERS GETTING DISTRIBUTIONS -- 148 PERCENTAGE OF CLAIMS PAID -- 12.6 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 1.98 AMOUNT RECEIVED BY TRUSTEES (millions) -- 1.48 A. R. Baron & Company TRUSTEE APPOINTED -- July 1996 CUSTOMERS GETTING DISTRIBUTIONS -- 66 PERCENTAGE OF CLAIMS PAID -- 11.9 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 2.34 AMOUNT RECEIVED BY TRUSTEES (millions) -- 6.33 Euro-Atlantic Securities TRUSTEE APPOINTED -- Oct. 1998 CUSTOMERS GETTING DISTRIBUTIONS -- 63 PERCENTAGE OF CLAIMS PAID 8.7-- AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 1.97 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.75 M. Rimson & Company TRUSTEE APPOINTED -- Sept.

1997 CUSTOMERS GETTING DISTRIBUTIONS -- 30 PERCENTAGE OF CLAIMS PAID-- 4.8 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) --0.36 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.59 CASES FINISHED FROM 1997-99, WITH ALL CLAIMS AND LITIGATION SETTLED Bell & Beckwith TRUSTEE APPOINTED -- Feb. 1983 CUSTOMERS GETTING DISTRIBUTIONS -- 6,964 PERCENTAGE OF CLAIMS PAID-- 100.0% AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- $23.70 AMOUNT RECEIVED BY TRUSTEES (millions) -- $13.20 Joseph Sebag TRUSTEE APPOINTED -- July 1981 CUSTOMERS GETTING DISTRIBUTIONS -- 3,853 PERCENTAGE OF CLAIMS PAID -- 89.9 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 6.51 AMOUNT RECEIVED BY TRUSTEES (millions) -- 9.73 First State Securities TRUSTEE APPOINTED -- July 1981 CUSTOMERS GETTING DISTRIBUTIONS -- 824 PERCENTAGE OF CLAIMS PAID -- 88.0 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 0.63 AMOUNT RECEIVED BY TRUSTEES (millions) -- 5.87 Omni Mutual TRUSTEE APPOINTED -- May 1988 CUSTOMERS GETTING DISTRIBUTIONS -- 372 PERCENTAGE OF CLAIMS PAID -- 91.2 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 1.70 AMOUNT RECEIVED BY TRUSTEES (millions) -- 3.91 First Securities Group of Calif. TRUSTEE APPOINTED -- Jan. 1992 CUSTOMERS GETTING DISTRIBUTIONS -- 233 PERCENTAGE OF CLAIMS PAID -- 43.1 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 5.00 AMOUNT RECEIVED BY TRUSTEES (millions) -- 1.34 First Ohio Securities TRUSTEE APPOINTED -- June 1990 CUSTOMERS GETTING DISTRIBUTIONS -- 117 PERCENTAGE OF CLAIMS PAID -- 56.3 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 0.86 AMOUNT RECEIVED BY TRUSTEES (millions) -- 1.23 First Lauderdale Securities TRUSTEE APPOINTED --Nov. 1994 CUSTOMERS GETTING DISTRIBUTIONS -- 49 PERCENTAGE OF CLAIMS PAID -- 39.5 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 2.30 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.16 Barrett Day Securities TRUSTEE APPOINTED -- June 1996 CUSTOMERS GETTING DISTRIBUTIONS -- 20 PERCENTAGE OF CLAIMS PAID -- 6.6 AMOUNT S.I.P.C. PAID TO INVESTORS (millions)-- 0.19 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.02 Sun Securities TRUSTEE APPOINTED -- March 1992 CUSTOMERS GETTING DISTRIBUTIONS-- 19 PERCENTAGE OF CLAIMS PAID -- 24.4 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 0.37 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.20 Portfolio Asset Management TRUSTEE APPOINTED -- Aug. 1993 CUSTOMERS GETTING DISTRIBUTIONS -- 17 PERCENTAGE OF CLAIMS PAID -- 1.8 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 0.59 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.67 U.S. Equity Management TRUSTEE APPOINTED -- Sept. 1995 CUSTOMERS GETTING DISTRIBUTIONS -- 15 PERCENTAGE OF CLAIMS PAID -- 83.3 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 0.65 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.26 Harrington Securities TRUSTEE APPOINTED -- Aug. 1995 CUSTOMERS GETTING DISTRIBUTIONS -- 13 PERCENTAGE OF CLAIMS PAID -- 11.1 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 0.05 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.08 Doviak Securities TRUSTEE APPOINTED -- Aug. 1993 CUSTOMERS GETTING DISTRIBUTIONS -- 12 PERCENTAGE OF CLAIMS PAID -- 41.3 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 0.11 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.54 Williams Financial Group TRUSTEE APPOINTED -- Dec. 1989 CUSTOMERS GETTING DISTRIBUTIONS -- 11 PERCENTAGE OF CLAIMS PAID -- 45.8 AMOUNT S.I.P.C. PAID TO INVESTORS (millions) -- 0.37 AMOUNT RECEIVED BY TRUSTEES (millions) -- 0.08 (Source: Securities Investor Protection Corporation)(pg. A24)

A version of this special report appeared in print on Monday, September 25, 2000, on section A page 1 of the New York edition.

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