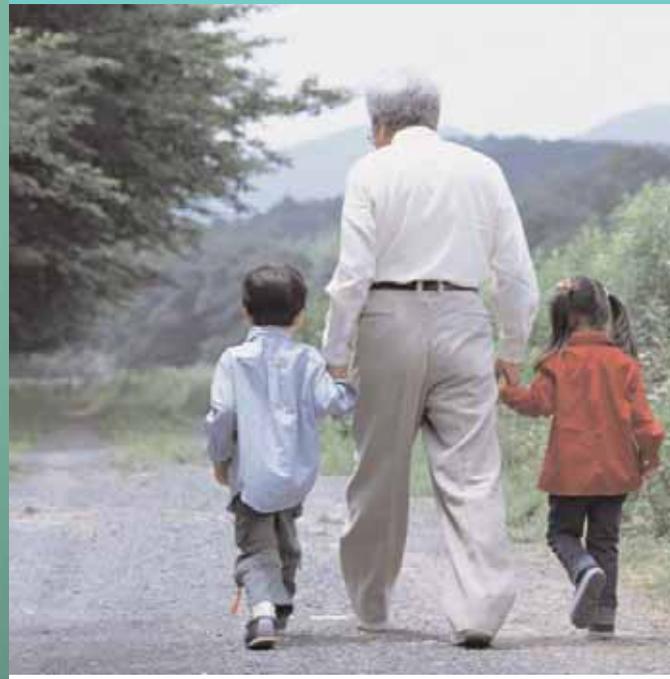


THE INVESTOR'S GUIDE TO
BROKERAGE FIRM LIQUIDATIONS:
WHAT YOU NEED TO KNOW... AND DO



INTRODUCTION

Brokerage firms that experience serious financial difficulties and must be shut down undergo what are called "liquidation" proceedings. The good news is that such closures do not happen very often. Thanks to the combined efforts of securities regulators (the U.S. Securities and Exchange Commission and state securities regulators), and securities industry self-regulatory organizations (the NASD and stock exchanges), brokerage firm failures are a rare event in the United States. Even when a brokerage firm encounters financial difficulty, it usually has all of the assets owed to its customers, and can efficiently transfer those assets to another brokerage without a liquidation proceeding.

However, a small handful of brokerage firms do encounter more severe financial difficulties, including customer assets that may be missing due to theft. These are the instances where the Securities Investor Protection Corporation (SIPC) steps in to recover or replace customer cash and securities, within certain limits set by law. SIPC was created in 1970 by Congress under the Securities Investor Protection Act (SIPA) to protect the interests of investors and to help bolster confidence in the integrity of the American securities markets. Nearly all brokerage firms registered with the U.S. Securities and Exchange Commission are required by law to be members of SIPC.

You can find SIPC on the Web at <http://www.sipc.org>.



Securities Investor Protection Corporation
805 15th Street, N.W. Suite 800
Washington, D.C. 20005-2215
Tel: 202.371.8300 | Fax: 202.371.6728
Email: asksipc@sipc.org





IF YOUR BROKERAGE FIRM IS LIQUIDATED...

If you receive a letter notifying you that your brokerage firm has closed, SIPC has initiated a Direct Payment Procedure or a liquidation proceeding in court, you should immediately do the following:

1. Gather key information together. Locate your brokerage account records. Monthly or quarterly statements and trade confirmation slips (often called “confirms,” for short) of securities purchases or sales are the key documents that you want to pull together. Cancelled checks and correspondence with your brokerage firm also may prove helpful.
2. Check your account statements for accuracy. You always should check your trade confirmation slips and your brokerage statements every time they are sent to you – regardless of whether or not your brokerage firm is in trouble. Verify that the statements reflect all cash deposits you sent to the brokerage firm. Check to see if the statements that you receive accurately reflect your understanding of what cash and securities are in your account. Did you authorize all of the transactions? If your records differ from the broker’s records, the only way to protect your interests is to complain promptly in writing to

THE INVESTOR’S GUIDE TO BROKERAGE FIRM LIQUIDATIONS: WHAT YOU NEED TO KNOW... AND DO

the brokerage firm about any discrepancy between your records and those of the firm. If you have not already done so and your brokerage firm is facing a liquidation proceeding, make sure to carefully review your account statements in the way that is described here.

3. Make sure the trustee in the liquidation proceeding has your correct address. Have you moved to a different residence recently? Are your transaction documents not arriving in the mail? The trustee will mail a claim form to every customer at the address listed in the brokerage firm’s records. If the brokerage firm records relied upon by a trustee aren’t up to date, you may not receive a claim form, and that could leave you at a serious disadvantage in the liquidation proceeding. If you don’t get a notification from the trustee in a week or two after the liquidation proceeding is announced publicly, go to the SIPC Web site (<http://www.sipc.org>), find the information about your firm, and then contact the trustee as indicated with your current contact information. You may also want to print out the form from the SIPC Web site. (See “Frequently Asked Questions” below.)

4. Obtain, fill out and submit the claim form in a timely way. The burden is on you to complete the claim form and then return it to the trustee on time. Make sure that you fill out the form in full and make a copy for your records. Send the copy of the form (and any necessary documents) – not the originals. Submit the claim form by certified mail with return receipt requested. It is important that you can prove the trustee received your claim form. If the claim form is not received, you are at risk of not getting back your assets. Pay strict attention to time limits set forth in the notice and claim form. Under federal law, no one – not the trustee, SIPC or the court -- has the authority to satisfy claims that are filed late.

FREQUENTLY ASKED QUESTIONS

Q) I didn’t get a claim form. What should I do?

A) Go to SIPC’s Web site at <http://www.sipc.org>. Shortly after a liquidation proceeding starts, SIPC will post a copy of the claim form on its Web site. While you cannot file a claim electronically, you can print out the claim form on the Web site and send it in. You also can consult the SIPC Web site to find the address to use to write to the trustee and request a claim form.

Q) I think I was a victim of fraud. My broker convinced me to buy securities that went down sharply. Can SIPC return the amount of my initial investment?

No. SIPC returns the current value of your eligible holdings at a brokerage firm. If your securities have gone down in value, that is just part of the normal risk involved in being an investor. On the other hand, if your securities have gone up in value since you purchased them, SIPC will endeavor to return those securities to you at their current value. You may have a “general creditor claim” for your market losses, but that is not something that falls within the scope of SIPA. Funds from SIPC cannot be used to pay damage claims based on fraud.

Q) How long will it take for me to get control of my account again?

A) Every liquidation proceeding is different. In some instances, a trustee has been able to transfer accounts in as little as one to three weeks. However, if the records of the defunct brokerage firm are in disarray, or if for any other reason it is not possible to transfer your

account to a financially healthy brokerage firm, the process may take more time. You can cut down on the delays by filing your claim promptly, correctly and with all required documentation.

Q) After the liquidation proceeding involving my “old” brokerage firm started, I received a notice that my account was transferred to another brokerage firm. Does that mean I don’t have to bother with the claim form?

A) No. You should still complete the claim form anyway and return it to the trustee. There are a number of things which might go wrong with a transfer of your assets to the new brokerage firm. Your account may be rejected by the new firm, or returned to the trustee for some other reason. If anything does in fact go wrong with the transfer of your account, the claim form will be the only way you will be able to receive your assets. Fill out the claim form and return it even if you have been told your account has been transferred.

Q) I don’t understand how to fill in the claim form. Where can I get help?

A) You can find a step-by-step guide to filling out your claim form on the SIPC Web site at (<http://www.sipc.org>). Keep in mind that your claim form cannot be filed electronically. However, you can use the “SIPC Claim Form Online Center” to fill out your form. If you do so, you must still print out and mail the completed form and all required attachments to the court-appointed trustee. Remember: Your claim form is considered to be filed only when it is received in total by the trustee in the matter. Make sure to copy the print-out of your claim form (and related documents) and then send in the copies by certified mail with return receipt requested. Be sure to observe the deadlines for timely submission of your claim!