



HOW YOUR MONEY IS PROTECTED AND SECURED



BE ASSURED THAT YOU HAVE A HIGH LEVEL of safety with your brokerage accounts due to the way we conduct our business, the safeguards of our industry and the regulations to which we must adhere. These safeguards were primarily developed to protect consumers. This is one way to ensure public confidence in the financial system and maintain stability in the financial industry.

Here is a look at some of the protections that are in place.



Invest with Confidence

First Clearing, LLC (“First Clearing”) is the firm that provides clearing, execution and settlement services for your brokerage account(s). With our 120 years of investment experience standing behind your trusted financial professional, you can invest with confidence. Know that you will be investing with a financial professional who is supported by a tradition of financial discipline, outstanding customer service and doing what’s right for clients. Your financial professional is backed by the vast resources of one of the industry’s largest financial services companies and is passionately committed to providing award-winning service and customer value for shared success.

Your Investments are Held Separately from our Operations

As of July 2008, more than \$25 trillion of investable assets were held in accounts at U.S. brokerage firms.¹ The securities industry in the United States is among the most heavily regulated in the world to help ensure that brokerage accounts are a safe and accessible place for individuals, families and businesses to place money they wish to invest. The Securities and Exchange Commission (SEC) is the securities industry’s primary regulatory body.

A cornerstone of protection of client assets in brokerage firms is the segregation of assets — that is, client assets are held separately from the assets of the brokerage firm. This principle is laid out in the SEC’s Customer Protection Rule. The rule states that all fully-paid client securities must be held separately from the brokerage firm’s own assets and are not available for firm use. The rule ensures that if a brokerage firm experiences losses, investor assets are not affected.

The exception to this rule is if you have a current loan from a margin account with us, which can be established only under a written agreement by you. If you do have a current loan from that margin account, we may use some of the assets. Otherwise, we must keep your funds and investments separate from any of our assets and may not use them for any purpose.

¹ Booz & Company, July 2008



Industry Measures Protect Against Insolvency Risks

In the rare event that a brokerage firm fails, investors benefit from several layers of protection.

SIPC protection

First Clearing is a member of the Securities Investor Protection Corporation (“SIPC”), a nonprofit, congressionally chartered, membership corporation created in 1970. SIPC protects clients against the custodial risk of a member brokerage firm becoming insolvent by replacing missing securities and cash up to \$500,000, including up to \$100,000 in cash, per client in accordance with SIPC rules. (Note that SIPC coverage is not the same as nor is it a substitute for FDIC deposit insurance; securities purchased through First Clearing are not FDIC insured.) For more information about SIPC, please visit www.sipc.org.

Additional Insurance Coverage We’re Providing Our Clients

Above and beyond SIPC coverage, First Clearing maintains additional insurance coverage, currently through the Customer Asset Protection Company. Effective January 1, 2009, the additional insurance coverage will be provided through London Underwriters (led by Lloyd’s of London Syndicate) (“Lloyds”). For clients who have received the full SIPC payout limit, First Clearing’s policy with Lloyd’s provides additional coverage above the SIPC limits for any missing securities and cash in client brokerage accounts up to a firm aggregate limit of \$1 billion (including up to \$1.9 million for cash per client). In other words, the aggregate amount of all client losses covered under this policy are subject to a limit of \$1 billion, with each client covered up to \$1.9 million for cash.

About Lloyd’s of London

Since its beginnings in the 17th century, Lloyd’s of London has been a world leader in insurance markets, providing its services to businesses in a broad range of sectors. Currently, Standard and Poor’s and Fitch Ratings have rated Lloyd’s credit as “A+ (Strong) Stable Outlook,” and A.M. Best has rated Lloyd’s a credit rating of “A (Excellent) Stable Outlook.” For more information about Lloyd’s of London, please visit www.lloyds.com.

The Limits of SIPC and Lloyd’s Insurance Coverage

Please note that coverage provided by SIPC and Lloyds’ does not protect against loss of market value of securities. All coverage is subject to the specific policy terms and conditions.



New FDIC Insurance Limits

As of October 3, 2008, the Federal Deposit Insurance Corporation (FDIC) increased deposit insurance limits from \$100,000 to \$250,000 per depositor per bank through December 31, 2009, after which deposits will be insured up to the maximum allowed by the FDIC at that time.

Uninvested cash balances (principal and interest) in our Bank Deposit Sweep Program are now eligible for the FDIC insurance increase, for example:

Individual accounts (e.g., one owner) – Cash sweep deposits are insured up to \$250,000.

Joint accounts (e.g., multiple owners) – Cash sweep deposits are insured for up to \$500,000 in the case of two owners – plus an additional \$250,000 for each additional owner.

Trust/Transfer on Death (TOD) accounts – Cash sweep deposits are insured for up to \$250,000 in the case of one owner/one beneficiary – with additional insurance coverage for each additional owner/beneficiary combination (e.g., with two owners and two beneficiaries, the total is \$1,000,000).

IRAs/Roths[†] – Cash sweep deposits continue to be insured for \$250,000.

These deposit insurance limits refer to the total coverage that an account holder(s) has, including any CDs. The listing above shows only the most common ownership categories that apply to individual/family deposits, and assumes that all FDIC requirements are met. More information on FDIC coverage is available at www.fdic.gov.

[†] For other self-retirement accounts, such as money purchase, 401(k) and defined contribution profit-sharing plans, the total coverage is also \$250,000.

