

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC

December 2008

At Pershing, we take great pride to support your business and make every effort to ensure your client's assets are protected

As you know, Pershing has been a leading provider of financial business solutions for 70 years and serves many of the world's most respected financial organizations, remaining focused on the segregation, safekeeping, servicing, and reporting of clients' assets in our custody. Pershing is well capitalized and our capital ratios exceed those required by regulators. You may refer to [Pershing's Statement of Financial Condition](#) for additional information.

Pershing's parent company, [The Bank of New York Mellon](#) Corporation, is one of the world's strongest global financial institutions. The Bank of New York Mellon ranks among the top financial services companies with a market capitalization of approximately \$32 billion as of December 10, 2008, and holds \$22.4 trillion in assets under custody and administration. Please refer to [The Bank of New York Mellon's Third Quarter 2008 Financial Results](#) for additional information.

Pershing is a member of the Securities Investor Protection Corporation (SIPC®). As a result, your clients' assets are protected by SIPC, up to \$500,000 in value, including \$100,000 in cash awaiting reinvestment. SIPC provides protection for brokerage firms against losses should a SIPC member firm fail financially and become unable to meet obligations of its securities clients. For more information about the protection of your clients' account assets you may visit SIPC's web site at www.sipc.org.

For additional security, Pershing also provides coverage in excess of SIPC limits for your clients. We have been providing excess account protection through Customer Asset Protection Company (CAPCO) but have been advised that as of February 16, 2009, CAPCO will not renew its excess account protection policies for any of its members. As a result, Pershing has obtained excess account protection for client accounts through Lloyd's of London, effective immediately. This excess account protection offers the highest level of coverage that will be available in the industry.

In addition to Pershing's strength and SIPC coverage, our policy through Lloyd's of London provides excess account protection for assets held in custody with Pershing LLC and its London affiliate, Pershing Securities Limited, up to an aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. This account protection will be supplemented by the coverage provided by CAPCO, until the expiration of the CAPCO policy on February 16, 2009, and will then be in place to enhance SIPC coverage thereafter. For more information about Lloyd's of London, visit their web site at www.lloyds.com.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

Section 1- Overview of CAPCO and new Lloyd's of London Policy

1) When does the Customer Asset Protection Company (CAPCO) coverage expire?

A: CAPCO coverage will expire on February 16, 2009. The Lloyd's of London coverage is effective immediately and CAPCO coverage will remain in place as excess coverage to the Lloyd's of London coverage that has been secured until the expiration of the CAPCO policy on February 16, 2009.

2) Why is CAPCO not issuing a renewal policy?

A: CAPCO is owned by 14 financial institutions who bought CAPCO excess account protection coverage. This included Lehman Brothers in the United States and Lehman Brothers International in the United Kingdom. Due to the uncertainties of the Lehman Brothers bankruptcy in the United States and administration in the United Kingdom, CAPCO is unable to offer a renewal policy in 2009, even though no excess account protection claims have been filed. The uncertainty that such claims may be filed in the future creates the present situation.

3) How will the events surrounding CAPCO impact Pershing and its ability to service its customers?

A: These events will not have any impact on Pershing or its ability to service its customers. Pershing will continue to provide excess account protection through Lloyd's of London, which will provide our customers and their investors with extra comfort that their assets are safe while in custody at Pershing.

4) Are my client's assets safe with Pershing?

A: Yes. As you know, Pershing has been a leading provider of financial business solutions for 70 years and serves many of the world's most respected financial organizations, remaining focused on the segregation, safekeeping, servicing, and reporting of clients' assets in our custody. Pershing is well capitalized and our capital ratios exceed those required by regulators. You may refer to [Pershing's Statement of Financial Condition](#) for additional information.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

Pershing's parent company, [The Bank of New York Mellon Corporation](#), is one of the world's strongest global financial institutions. The Bank of New York Mellon ranks among the top financial services companies with a market capitalization of approximately \$32 billion as of December 10, 2008, and holds \$22.4 trillion in assets under custody and administration. Please refer to [The Bank of New York Mellon's Third Quarter 2008 Financial Results](#) for additional information.

Pershing is a member of the Securities Investor Protection Corporation (SIPC®). As a result, your clients' assets are protected by SIPC, up to \$500,000 in value, including \$100,000 in cash awaiting reinvestment. SIPC provides protection for brokerage firms against losses should a SIPC member firm fail financially and become unable to meet obligations of its securities clients. For more information about the protection of your clients' account assets you may visit SIPC's web site at www.sipc.org.

For additional security, Pershing also provides coverage in excess of SIPC limits for your clients. We have been providing excess account protection through Customer Asset Protection Company (CAPCO) but have been advised that as of February 16, 2009, CAPCO will not renew its excess account protection policies for any of its members. As a result, Pershing has obtained excess account protection for client accounts through Lloyd's of London, effective immediately. This excess account protection offers the highest level of coverage that will be available in the industry.

In addition to Pershing's financial strength and SIPC coverage, our policy through Lloyd's of London provides excess account protection for assets held in custody with Pershing LLC and its London affiliate, Pershing Securities Limited, up to an aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. This account protection will be supplemented by the coverage provided by CAPCO, until the expiration of the CAPCO policy on February 16, 2009, and will then be in place to enhance SIPC coverage thereafter. For more information about Lloyd's of London, visit their web site at www.loyds.com.

5) Who is Lloyd's of London?

A: Lloyd's of London is one of the world's best-known insurance brands. Unlike most other insurance brands, Lloyd's is not a company, it is a marketplace where members join together as syndicates to insure and reinsure risks. Supporting capital is provided by investment institutions, specialist investors, international insurance companies and individuals. Additional information can be found by visiting www.loyds.com.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

6) Why did Pershing choose to offer excess account protection through Lloyd's of London?

A: Lloyd's of London currently provides the highest level of coverage offered in the marketplace. Due to the uncertainties of the Lehman Brothers bankruptcy in the United States and administration in the United Kingdom, CAPCO is unable to offer renewal policies in 2009 for any of its members, even though no excess account protection claims have been filed. To ensure that we are providing our customers and their investors with the extra comfort that their assets are safe while in custody at Pershing, Pershing has secured the highest level of excess account protection coverage available in the marketplace today. This coverage protects client assets held in custody with Pershing LLC and its London affiliate, Pershing Securities Limited, up to an aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. The Lloyd's of London coverage is effective immediately and CAPCO coverage will remain in place as excess coverage to the Lloyd's of London coverage that has been secured until the expiration of the policy on February 16, 2009.

7) Is Lloyd's of London rated by the major credit rating agencies? If so, who rates Lloyd's of London and what is the rating?

A: Yes. Lloyd's currently has an A ("Excellent") rating with "Stable Outlook" from A.M. Best and A+ ("Strong") ratings with "Stable Outlook" from Fitch Ratings and Standard & Poor's. These ratings are subject to change by the rating agencies at any time.

8) When does Lloyd's of London coverage begin?

A: The Lloyd's of London coverage is effective immediately and CAPCO coverage will remain in place as excess coverage to the Lloyd's of London coverage that has been secured until the expiration of the policy on February 16, 2009.

9) Are there limits to the Lloyd's coverage?

A: Yes. For securities held in custody at Pershing LLC, the Lloyd's excess account coverage follows the terms, provisions, exclusions, and limits of Securities Investor Protection Corporation (SIPC) protection (www.sipc.org). This means that if an account is not covered by SIPC, it will not be covered by Lloyd's. Through the Lloyd's excess account coverage, the limits for securities have been increased to a total aggregate amount of \$1 billion, for all claims made under the Lloyd's policy by clients of Pershing LLC and its London affiliate, Pershing Securities Limited.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

- The following scenario illustrates how excess account protection coverage works: Imagine that the unlikely event that Pershing LLC fails, and as a result, there are \$200 million of client claims on assets over a period of 10 months, from three clients that are in excess of SIPC limits. Assuming that the client account values are \$100 million, \$75 million, and \$25 million:
 - In an account protection claim proceeding, the clients would receive up to \$500,000 from SIPC and the remaining assets through Lloyd's of London. The loss on the \$100 million, \$75 million, and \$25 million client accounts would be zero, assuming the aggregate limit of the Lloyd's of London policy (\$1 billion) has not been reached. Lloyd's of London would pay these excess claims.
 - The outstanding aggregate amount for any further excess account protection claims for the remaining 2 months (within the 12-month period) is \$800 million, assuming no other claims have been paid.

For additional information, please contact Jeff Bloch, Managing Director and Senior Managing Counsel, Pershing Legal Department, at (201) 413-4168.

10) Can I view a copy of the policy?

A: We are awaiting the excess account protection policy from Lloyd's and will make a copy of the policy available upon request, subject to any restrictions imposed by Lloyd's.

11) When does the Lloyd's of London's policy expire?

A: The policy will expire on December 10, 2009.

12) How much money will it cost me to receive this excess account protection?

A: This coverage is being automatically extended to Pershing's customers at no cost at the present time.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

If you have any additional questions, please contact your Pershing Relationship Manager or Pershing Advisor Solutions Relationship Consultant.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

Section 2- Overview of the Protection of Client Assets Held at Pershing LLC

At Pershing, we take great pride to support your business and make every effort to ensure your client's assets are protected.

As you know, Pershing has been a leading provider of financial business solutions for 70 years and serves many of the world's most respected financial organizations, remaining focused on the segregation, safekeeping, servicing, and reporting of clients' assets in our custody. Pershing is well capitalized and our capital ratios exceed those required by regulators. You may refer to [Pershing's Statement of Financial Condition](#) for additional information.

Pershing's parent company, [The Bank of New York Mellon Corporation](#), is one of the world's strongest global financial institutions. The Bank of New York Mellon ranks among the top financial services companies with a market capitalization of approximately \$32 billion as of December 10, 2008, and holds \$22.4 trillion in assets under custody and administration. Please refer to [The Bank of New York Mellon's Third Quarter 2008 Financial Results](#) for additional information.

Pershing is a member of the Securities Investor Protection Corporation (SIPC[®]). As a result, your clients' assets are protected by SIPC, up to \$500,000 in value, including \$100,000 in cash awaiting reinvestment. SIPC provides protection for brokerage firms against losses should a SIPC member firm fail financially and become unable to meet obligations of its securities clients. For more information about the protection of your clients' account assets you may visit SIPC's web site at www.sipc.org.

For additional security, Pershing also provides coverage in excess of SIPC limits for your clients. We have been providing excess account protection through Customer Asset Protection Company (CAPCO) but have been advised that as of February 16, 2009, CAPCO will not renew its excess account protection policies for any of its members. As a result, Pershing has obtained excess account protection for client accounts through Lloyd's of London, effective immediately. This excess account protection offers the highest level of coverage that will be available in the industry.

In addition to Pershing's strength and SIPC coverage, our policy through Lloyd's of London provides excess account protection for assets held in custody with Pershing LLC and its London affiliate, Pershing Securities Limited, up to an aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. This account protection will be supplemented by the coverage provided by CAPCO, until the expiration of the CAPCO policy on February 16, 2009, and will then be in place to enhance SIPC coverage thereafter. For more information about Lloyd's of London, visit their web site at www.lloyds.com.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

Questions your clients may ask:

1) How are the assets I hold in my brokerage account protected?

A: Clients fully paid for assets are segregated from the assets of our clearing firm, Pershing LLC. In addition, client assets are protected by the Securities Investor Protection Act (SIPA), which is administered by the Securities Investor Protection Corporation (SIPC), up to \$500,000, of which \$100,000 can be in cash. For accounts in excess of \$500,000, client assets are protected by the excess account protection program purchased by Pershing through Lloyd's of London up to the \$1 billion aggregate limit for client assets held in custody at Pershing LLC and its London affiliate, Pershing Securities Limited. Lloyd's currently enjoys an A ("Excellent") rating with "Stable Outlook" from A.M. Best and A+ ("Strong") ratings with "Stable Outlook" from Fitch Ratings and Standard & Poor's. These ratings are subject to change at any time.

- **Certain client assets are segregated from brokerage firm assets.** Securities regulations are designed to protect clients' funds and fully paid-for securities when they are in custody at a registered broker-dealer, such as Pershing. The U.S. Securities and Exchange Commission (SEC) requires firms like Pershing to segregate and maintain customer fully paid-for securities in separate and distinct accounts from the broker-dealer's own accounts. Customer cash credits are also subject to strict reserve requirements, calculations, and reporting. Regulators and independent auditors periodically review a broker-dealer's financial records to ensure that clients' assets are accurately tracked and held separately from each broker-dealer's own holdings.
- **Client assets are protected by SIPC.** Congress created SIPC in 1970 to protect clients of member broker-dealers that may fail or be liquidated. If any securities or cash is missing from eligible client accounts at the time of liquidation, SIPC steps in to replace those securities and cash. SIPC provides \$500,000 of net equity protection, including \$100,000 for claims for cash awaiting reinvestment. SIPC does not protect against losses from the rise and fall in the market value of investments. Go to www.sipc.org for further information about SIPC.
- **Client assets are protected by excess account protection coverage.** Through private arrangements between broker-dealers and insurance companies, most broker-dealers also provide additional account protection beyond SIPC, commonly known as "excess account protection." This protection often varies among broker-dealers. Pershing LLC provides excess account protection for the net equity of client's securities positions and cash in

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC

December 2008

their accounts. Net equity refers to the value of the client's securities, plus cash, minus any amount that may be owed, such as a margin loan. Of that total, SIPC provides \$500,000 of net equity protection, including \$100,000 for claims for cash awaiting reinvestment.

In addition to SIPC's existing coverage, Pershing also provides coverage in excess of SIPC limits for client assets. We have been providing excess account protection through Customer Asset Protection Company (CAPCO) but have been advised that as of February 16, 2009, CAPCO will not renew its excess account protection policies. As a result, Pershing has obtained excess account protection for client accounts through Lloyd's of London, effective immediately. This excess account protection offers the highest level of coverage that will be available in the industry. Our policy through Lloyd's of London will protect all client assets in custody at Pershing LLC and its London affiliate, Pershing Securities Limited, up to an overall aggregate level of \$1 billion, of which \$1.9 million may be for cash awaiting reinvestment in your account. The Lloyd's of London coverage is effective immediately and CAPCO coverage will remain in place as excess coverage to the Lloyd's of London coverage that has been secured until the expiration of the policy on February 16, 2009.

Go to www.sipc.org for more information about SIPC and www.lloyds.com for more information about Lloyd's of London.

2) How does SIPC protection work?

A: Federal securities laws require that client assets be segregated from a broker-dealer's own assets. The law requires internal and external audits, regulatory examinations, and weekly and monthly reporting requirements. Most client assets are held in book-entry form at industry depositories and are not in physical possession by the broker-dealers themselves. SIPC funds are used to make investors whole after all client assets in custody at the broker-dealer have been recovered. SIPC coverage provides \$500,000 of net equity protection, including \$100,000 for claims for cash awaiting reinvestment, but that does not necessarily mean that the account will receive only up to \$500,000. Rather, in a SIPC proceeding, the account will receive a pro-rata share of all client assets recovered in liquidation and then will receive up to \$500,000 from SIPC to make up any difference that may still exist.

To illustrate a SIPC liquidation, assume that a broker-dealer fails (e.g. Pershing), resulting in \$5 billion of client claims on assets, with a recovery rate of assets in

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

liquidation of 90% or \$4.5 billion, and assume a client account value of \$5 million:

- In a SIPC claim proceeding, the client would receive \$4.5 million from recovered assets and \$500,000 from SIPC.
- The loss on a \$5 million client account would be zero.

3) What is excess account protection?

A: After the SIPC limit (\$500,000 of net equity protection, including \$100,000 for claims for cash awaiting reinvestment) is exceeded, excess account protection covers the remaining net equity of securities positions and cash in client accounts up to the aggregate limit of the policy. Through an agreement with Lloyd's of London, Pershing has obtained additional protection from Lloyd's of London for securities held in custody by Pershing in excess of SIPC limits. Lloyd's of London will protect client assets up to \$1.9 million for non-invested cash per account and an aggregate of \$1 billion for all other assets in custody at Pershing LLC and its London affiliate, Pershing Securities Limited. The excess account protection coverage through Lloyd's of London is effective immediately. CAPCO coverage will remain in place as excess coverage to the Lloyd's of London coverage that has been secured, until the expiration of our policy through CAPCO on February 16, 2009.

This additional excess account protection offers the highest level of coverage offered in the marketplace and should provide your clients with extra comfort that their assets are safe while in custody at Pershing. The additional protection is necessary and available only in the unlikely event that assets are not fully recovered when the SIPC protection limits have been reached.

4) How does excess account protection coverage apply to client assets?

A: After the SIPC limit (\$500,000 of net equity protection, including \$100,000 for claims for cash awaiting reinvestment) is exceeded, excess account protection covers the remaining net equity of securities positions and cash in client accounts up to the aggregate limit of the policy. Through an agreement with Lloyd's of London, Pershing has obtained additional protection from Lloyd's of London for securities held in custody by Pershing in excess of SIPC limits.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

For additional security, Pershing also provides coverage in excess of SIPC limits for your clients. We have been providing excess account protection through Customer Asset Protection Company (CAPCO) but have been advised that as of February 16, 2009, CAPCO will not renew its excess account protection policies for any of its members. As a result, Pershing has obtained excess account protection for client accounts through Lloyd's of London, effective immediately. This excess account protection offers the highest level of coverage that will be available in the industry.

In addition to Pershing's financial strength and SIPC coverage, our policy through Lloyd's of London protects assets held in custody with Pershing LLC and its London affiliate, Pershing Securities Limited, up to an aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. This account protection will be supplemented by the coverage provided by CAPCO, until the expiration of the CAPCO policy on February 16, 2009, and will then be in place to enhance SIPC coverage thereafter. For more information about Lloyd's of London, visit their web site at www.lloyds.com.

5) How does excess account protection coverage work?

A: After the SIPC limit (\$500,000 of protection, including \$100,000 for claims for cash awaiting reinvestment) is exceeded, our policy through Lloyd's of London provides excess account protection for assets held in custody with Pershing LLC and its London affiliate, Pershing Securities Limited, up to an aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. The Lloyd's of London coverage is effective immediately and CAPCO coverage will remain in place as excess coverage to the Lloyd's of London coverage that has been secured until the expiration of the policy on February 16, 2009.

Account protection and excess account protection claims would only arise where Pershing failed financially and client assets for covered accounts, as defined by SIPC (for Pershing LLC accounts) or FSCS (for Pershing Securities Limited accounts), cannot be located due to theft, misplacement, destruction, burglary, robbery, embezzlement, abstraction, failure to obtain or maintain possession or control of Customer securities or to maintain the special reserve bank account required by applicable rules (SEC 15c-3 in the US for Pershing LLC). If a customer's assets are missing for any of these reasons when Pershing is being liquidated, they would be replaced by the underlying account protection program up to published limits, then the Lloyd's excess program would respond where the excess loss met the criteria discussed in the previous sentence.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

- The following scenario illustrates how excess account protection coverage works: Imagine that the unlikely event that Pershing LLC fails, and as a result, there are \$200 million of client claims on assets over a period of 10 months, from three clients that are in excess of SIPC limits. Assuming that the client account values are \$100 million, \$75 million, and \$25 million:
 - In an account protection claim proceeding, the clients would receive up to \$500,000 from SIPC and the remaining assets through Lloyd's of London.
 - The loss on the \$100 million, \$75 million, and \$25 million client accounts would be zero, assuming the aggregate limit of the Lloyd's of London policy (\$1 billion) has not been reached. Lloyd's of London would pay these excess claims.
 - The outstanding aggregate amount for any further excess account protection claims for the remaining 2 months (within the 12-month period) is \$800 million, assuming no other claims have been paid.

6) I am an investor with an account value at Pershing (or your firm) that is higher than \$500,000. What should I do?

A: Pershing is a member of the Securities Investor Protection Corporation (SIPC®). As a result, your clients' assets are protected by SIPC, up to \$500,000 in value, including \$100,000 in cash awaiting reinvestment. SIPC provides protection for brokerage firms against losses should a SIPC member firm fail financially and become unable to meet obligations of its securities clients. For more information about the protection of your clients' account assets you may visit SIPC's web site at www.sipc.org.

For additional security, Pershing also provides coverage in excess of SIPC limits for your clients. We have been providing excess account protection through Customer Asset Protection Company (CAPCO) but have been advised that as of February 16, 2009, CAPCO will not renew its excess account protection policies for any of its members. As a result, Pershing has obtained excess account protection for client accounts through Lloyd's of London, effective immediately. This excess account protection offers the highest level of coverage that will be available in the industry.

In addition to Pershing's strength and SIPC coverage, our policy through Lloyd's of London provides excess account protection for assets held in custody with Pershing LLC and its London affiliate, Pershing Securities Limited, up to an

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC

December 2008

aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. This account protection will be supplemented by the coverage provided by CAPCO, until the expiration of the CAPCO policy on February 16, 2009, and will then be in place to enhance SIPC coverage thereafter. For more information about Lloyd's of London, visit their web site at www.lloyds.com.

7) Is Lloyd's of London rated? Who rated Lloyd's of London and what is the rating?

A: Yes. Lloyd's currently enjoys an A ("Excellent") rating with "Stable Outlook" from A.M. Best and A+ ("Strong") ratings with "Stable Outlook" from Fitch Ratings and Standard & Poor's. These ratings are subject to change at any time.

8) When does the Lloyd's of London's policy expire?

A. The policy expires on December 10, 2009.

9) What are the limits of liability for the excess account protection that Pershing purchases through Lloyd's of London?

A: For securities held in custody by Pershing LLC, the Lloyd's excess account protection coverage follows the terms, provisions, exclusions, and limits of SIPC protection (www.sipc.org) with certain other limited restrictions. The Lloyd's of London policy provides excess account protection for assets held in custody with Pershing LLC and its London affiliate, Pershing Securities Limited, up to an aggregate limit of \$1 billion, of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. This account protection will be supplemented by the coverage provided by CAPCO, until the expiration of the CAPCO policy on February 16, 2009, and will then be in place to enhance SIPC coverage thereafter. This excess account protection offers the highest level of coverage that will be available in the industry. For more information about Lloyd's of London, visit their web site at www.lloyds.com.

For additional information, please contact Jeff Bloch, Managing Director and Senior Managing Counsel, Pershing Legal Department, at (201) 413-4168.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

10) Does the excess account protection that Pershing purchases through Lloyd's of London cover institutional clients in the United States?

A: Yes, subject to the terms and conditions generally applicable to all other clients under SIPC protection, the Lloyd's excess account protection covers institutional clients for all accounts held in custody by Pershing LLC.

11) Are any account assets excluded from the excess account protection that Pershing provides through Lloyd's of London?

A: Certain types of assets that are not protected under SIPC are also not covered by excess account protection. Among the investments that are ineligible for SIPC protection are: commodity futures contracts, precious metals, bank deposits, in addition to investment contracts (such as limited partnerships), and fixed annuity contracts that are not registered with the U.S. Securities and Exchange Commission (SEC) under the Securities Act of 1933.

12) If my assets are not an asset type that is protected by SIPC, do I have any excess account protection?

A: No, your assets must first be protected by SIPC in order to be eligible for excess account protection. Go to www.sipc.org for more information.

13) Is there anyone who is excluded from SIPC protection?

A: Most investors are eligible for SIPC assistance. However, SIPC's funds may not be used to pay the claims of any failed broker-dealer for investors who are:

- A general partner, officer, or director of the failed broker-dealer.
- The beneficial owner of 5% or more of any class of equity security of the failed broker-dealer (other than certain nonconvertible preferred stocks).
- A limited partner with a participation of 5% or more in the net assets or net profits of the failed broker-dealer.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

- Someone with the power to exercise a controlling influence over the management or policies of the failed broker-dealer.
- A broker or dealer or bank acting for itself rather than for its own clients.

Go to www.sipc.org for further information.

14) What does SIPC cover and how does it differ from Federal Deposit Insurance Corporation (FDIC) insurance?

A: SIPC coverage replaces missing stocks and other securities in cases in which it is possible to do so—even when the investments have increased in value. SIPC protects the cash and securities, such as stocks and bonds, held at a financially troubled broker-dealer. SIPC covers retail brokerage investors, as well as institutional investors.

SIPC does not cover individuals who are sold worthless stocks and other securities. Among the investments that are ineligible for SIPC protection are commodity futures contracts, precious metals, and bank deposits, as well as investment contracts (such as limited partnerships), and fixed annuity contracts that are not registered with the U.S. Securities and Exchange Commission (SEC) under the Securities Act of 1933.

It is also important to understand that SIPC protection is **not** the same as FDIC protection. SIPC does not offer to investors the same blanket protection that the FDIC provides to bank depositors. The FDIC protects deposits up to \$100,000 (\$250,000 most recently in certain instances) in most, but not all, United States banks and savings and loan associations in the event that the institution becomes insolvent. For further information about FDIC insurance, go to www.fdic.org. The FDIC does not cover securities, mutual funds, or similar types of investments, and money that is invested in an FDIC-insured product is not covered by SIPC. For instance, assume you had \$200,000 invested with a bank. Of the \$200,000 invested, \$100,000 is covered by FDIC insurance. The \$100,000 balance is not covered by SIPC. To file a claim, you would have to inquire with your bank.

The FDIC's "no-questions-asked" approach is appropriate because banks tend to be "risk averse." Most savers put their money in FDIC-insured bank accounts because they cannot afford to lose their money but do not want to take the risk of loss. That is precisely the opposite of how most investors behave in the stock market, in which rewards are only possible with risk. Most market losses are a normal part of the ups and downs of the risk-oriented world of investing. That is

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

why SIPC does not bail out investors when the value of their stocks, bonds, or other investments falls for any reason.

15) Are securities held at broker-dealer affiliates at banks being supported by the United States government TARP program safer than securities held at other broker-dealers?

A: Cash deposits at banks are protected by FDIC insurance. Additional information on this can be obtained at www.fdic.gov. Securities held by banks are not protected by FDIC, nor are they protected by SIPC.

16) If I have one account in custody with one SIPC member and one account in custody with another (separate) SIPC member, how are those accounts covered?

A: The accounts are treated as two separately protected accounts. The \$500,000 in protection applies to each account.

17) If I have more than one brokerage account with Pershing (or your firm), is each account protected through SIPC?

A: Yes, each account is protected through SIPC, but only if you hold the accounts in separate, legal capacities. In other words, if you hold one account in your own capacity and maintain other accounts as a trustee for another person under certain trust arrangements, you would be deemed a different client in each capacity. Any client who has several different accounts must be acting in a “good-faith” separate capacity with respect to each account. For instance, an investor might have one account in his or her name and maintain a joint account with his or her spouse. All such accounts, however, must meet the requirements of SIPC rules identifying accounts of “separate” clients of your broker-dealer. Copies of these rules may be obtained at www.sipc.org or by writing to SIPC and requesting the “Series 100 Rules.”

As another example, an investor who in a single capacity has several different accounts with his or her financial organization, such as cash and margin accounts, would be considered a single client for the purposes of applying the SIPC account protection limits.

FREQUENTLY ASKED QUESTIONS ABOUT THE PROTECTION OF CLIENT
ASSETS HELD AT PERSHING LLC
December 2008

18) How long does it typically take to receive securities and cash from SIPC if the account protection is instituted?

A: According to SIPC, most clients can expect to receive their property in one to three months. If the broker-dealer's records are inaccurate, or if the broker-dealer was involved in fraudulent activity, it may take longer.

19) Should I hold my own certificates?

A: No, certificates you hold can be misplaced, stolen, or accidentally destroyed. In addition, when you hold your own securities, you are responsible for collecting interest and dividend payments and monitoring events, such as bond calls and tender offers. Missing such events can cost you money.

20) Who can be a member of SIPC?

A: All SIPC members must be registered with the SEC. If a member loses its SEC registration, its SIPC membership is automatically terminated.

21) Who examines the operational and financial conditions of SIPC members?

A: The SEC, Financial Industry Regulatory Authority (FINRA), and state regulators are the "examining authorities" for SIPC members. SIPC itself has no authority to examine or inspect member broker-dealers.