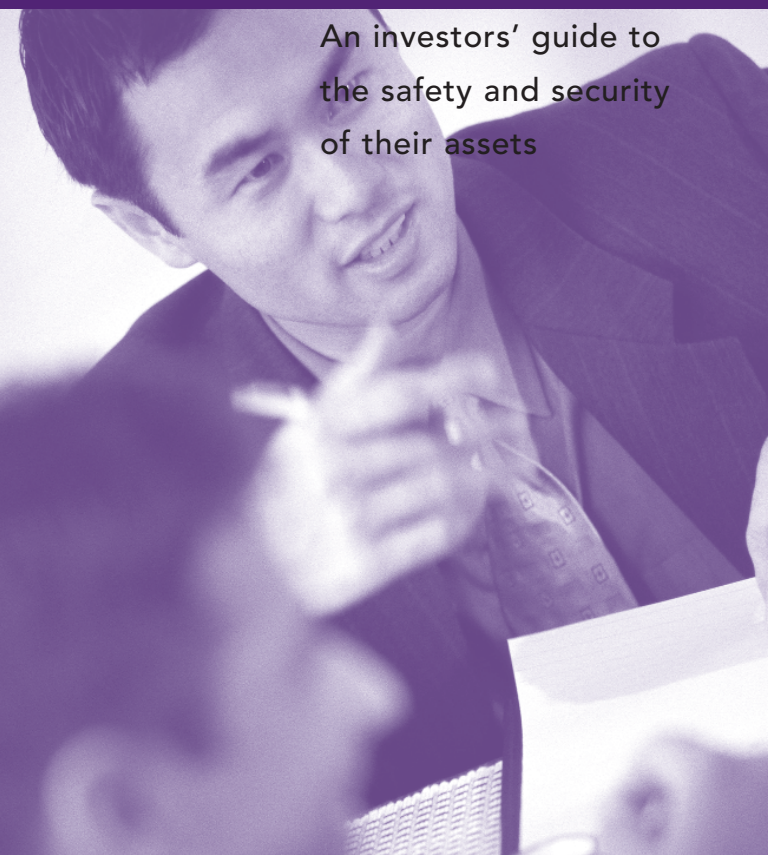




**SAFETY**

AND SECURITY

An investors' guide to  
the safety and security  
of their assets



Investors are entitled to have complete confidence in the safety and security of their accounts.

That's why we have provided you with this description of the various ways your securities and cash are protected while held at National Financial Services LLC (NFS) through your broker.

## **Supported by an industry leader**


We have entered into a securities clearing relationship with National Financial Services LLC, one of the industry's leading clearing firms. Established in 1982 to process securities transactions and hold securities for brokerage customer accounts, NFS is a Fidelity Investments company. Fidelity is one of the country's leading providers of financial services, with managed assets as of September 30, 1999, totaling over \$833.8 billion.

## **The financial strength of National Financial Services LLC**

NFS currently services more than 5.8 million investor accounts across the United States and is staffed by dedicated professionals who have experience in both positive and negative market environments. The financial strength of NFS is derived from its system of internal controls, cash flow and strong capital position.

Compliance with various industry rules and regulations is monitored internally each day. In addition, compliance is strictly enforced

strength



by the regulatory agencies and reviewed each year during the annual audit, performed by an independent public accounting firm.

**Asset protection from the Securities Investor Protection Corporation (SIPC)**

NFS is a member of the Securities Investor Protection Corporation, which was created by Congress in 1970 to protect customers of member broker/dealer firms. SIPC is a non-profit membership corporation funded by broker/dealers who are required by law to be members. The SIPC fund has a \$1 billion line of credit with a bank consortium, and can borrow up to \$1 billion more from the U.S. Treasury, through the Securities and Exchange Commission (SEC).

Customers of an SIPC-covered firm are afforded special benefits under the Securities Investor Protection Act of 1970. Since NFS is a member of SIPC, assets in your brokerage account are protected by SIPC. Within certain limits, SIPC protection covers both investor securities held by NFS and cash on deposit for the purpose of purchasing securities or as a result of the sale of securities. SIPC coverage protects your assets in the unlikely event that a member firm should fail to meet its obligations. Keep in mind, however, that SIPC coverage does not protect against a decline in market value of securities.

The maximum SIPC protection is \$500,000 for covered accounts. Cash balances awaiting re-investment are protected up to \$100,000, which is included in the \$500,000. These limits are on a per-customer basis as defined in the Securities Investor Protection Act. Most types of securities held in a brokerage account at NFS are protected, including stocks, bonds, notes, debentures, certificates of deposit (CDs) and mutual funds held with the SIPC member.

## **Unlimited protection for your assets**

In addition to the SIPC coverage of \$500,000 (cash claims limited to \$100,000), your assets held at NFS enjoy unlimited coverage from supplemental account protection through the Asset Guaranty Insurance Company.

Asset Guaranty Insurance Company has an AAA rating (the highest) from Duff & Phelps and an AA rating from Standard & Poor's. Asset Guaranty was chosen to provide coverage in excess of SIPC protection because NFS believes it offers the best combination of service and value. Remember, this account protection does not cover declines in the market value of securities.

## **Insurance coverage**

NFS maintains Financial Institution Bond Coverage in the amount of \$100 million. The Bond covers losses resulting from employee dishonesty, robbery and mysterious disappearance of securities. NFS also maintains Electronic and Computer Crime

protection

Insurance coverage to protect against losses resulting from certain fraudulent acts committed by a third party.

NFS is required by the SEC to file monthly and quarterly financial and operational reports (FOCUS reports) within 17 business days of the month's end. The quarterly report contains financial statements, including a statement of financial condition, an income statement and a statement of changes in stockholder's equity. Regulatory schedules, including a computation of net capital, a reserve formula computation and other key financial and operational data, also are filed.

NFS' policy is to maintain net capital significantly in excess of the amount required by regulators.

## **Safekeeping of your assets at National Financial Services LLC**

As a registered broker/dealer, NFS is subject to the rules and regulations of the SEC, the New York Stock Exchange (NYSE), the National Association of Securities Dealers (NASD), other exchanges of which NFS is a member, and the Municipal Securities Rulemaking Board (MSRB). These regulatory organizations each have certain rules and regulations that NFS must follow to safeguard your assets:

- segregating your assets from those of the firm
- keeping accurate records of your assets
- maintaining net capital at certain required levels

NFS conducts internal audits and is audited by an independent public accounting firm on an annual basis. The firm is also subject to examinations by the SEC, NYSE and other organizations to ensure that their regulations are met.



## Fully paid securities and cash

As your broker/dealer, we cannot use your fully paid customer securities for our own business. These securities must be held for your exclusive benefit and subject to your exclusive instructions. NFS must account for, and inspect, every physical security owned by an investor at least once every calendar quarter. Any differences must be recorded and corrected within specific time frames.

Net customer cash balances not required for customer transactions must be maintained in a cash account segregated for the exclusive benefit of customers.

## **Margin accounts and short selling**

In a margin account, individual securities with a market value up to 140% of the margin loan can be removed from a control location and used for lending. Securities deposited or held as collateral for short selling or options transactions may not be removed from possession or control unless there is a margin debit balance.

## **Further safeguards**

NFS has an extensive and sophisticated Emergency Contingency Plan in place to safeguard your assets and protect vital account information in the event of a business disruption. Duplicate records and backup systems are maintained at its primary data processing facility in Dallas, Texas. Safeguards and redundancies were of primary importance in designing this state-of-the-art data-processing complex, which was built to withstand the failure of any single component in the system.



Clearing, custody or other brokerage services may be provided by National Financial Services LLC or Fidelity Brokerage Services LLC, Members NYSE, SIPC.