▶ Frequently Asked Questions About The Protection Of Client Assets Held At Pershing LLC

December 2011

Overview of the Protection of Client Assets Held in Custody by Pershing LLC

For over 70 years, Pershing has been a leading global provider of financial business solutions to many of the world's most respected financial organizations. It remains focused on the safekeeping, servicing, segregation and reporting of assets held in its custody. As of September 30, 2011, Pershing was operating with net capital of $1.1 billion, well above the minimum requirement. You may refer to Pershing's Statement of Financial Condition for additional information.

Pershing is a subsidiary of BNY Mellon, one of the world's largest financial organizations. BNY Mellon ranks among the top financial services companies in the world, with a market capitalization of approximately $22.5 billion, as of September 30, 2011, and $25.9 trillion in assets held under custody and administration. Please refer to BNY Mellon's Third Quarter 2011 Financial Results for additional information.

Pershing is a member of the Securities Investor Protection Corporation® (SIPC®). As a result, securities are protected up to $500,000 (of which $250,000 can be for claims for cash awaiting reinvestment). For details, please go to sipc.org. Please note that SIPC does not protect against any loss due to market fluctuation.

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters at Lloyd's, in conjunction with another commercial insurance company.[1] The excess of SIPC insurance program is valid through December 10, 2012. It provides the following protection for assets held in custody by Pershing and its London-based affiliate, Pershing Securities Limited:

- An aggregate loss limit of $1 billion for eligible securities across all client accounts
- A per-client loss limit of $1.9 million for cash awaiting reinvestment within the aggregate loss limit of $1 billion

Neither SIPC protection nor the additional excess of SIPC insurance policy protects against loss due to market fluctuation of investments. For more information about Lloyd's, please see lloyds.com. An excess of SIPC coverage claim would only arise in the unlikely event that Pershing fails financially and client assets for covered accounts—as defined by SIPC for Pershing LLC accounts or the Financial Services Compensation Scheme (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 client securities, or to maintain the special reserve bank account required by applicable rules.

[1] Pershing's excess of SIPC insurance coverage is provided by certain underwriters at Lloyd's's insurance market ($950M) and Axis Specialty Europe Ltd.($50M).

▶ Frequently Asked Questions About The Protection Of Client Assets Held At Pershing LLC

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Frequently Asked Questions:

1. How are the assets held in my brokerage account protected?
2. How does Pershing ensure that the controls it has in place are operating effectively?
3. What is SIPC?
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5. Who examines the operational and financial conditions of SIPC members?
6. How does SIPC protection work?
7. In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from Lloyd's, in conjunction with other insurers. What is excess of SIPC coverage?
8. What is Lloyd's?
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10. How does excess of SIPC coverage work?
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12. I am an investor with an account value at Pershing that is higher than $500,000. What should I do?
13. Is Lloyd's rated? Who rated Lloyd's and what is the rating?
14. When does the Lloyd's's policy expire?
15. Does the excess of SIPC coverage that Pershing provides from Lloyd's, in conjunction with other insurers, cover institutional investors in the United States?
16. Are any account assets excluded from the excess of SIPC coverage protection?
17. If my assets are not an asset type that is protected by SIPC, do I have any excess of SIPC protection?
18. Is there anyone who is excluded from SIPC protection?
19. How long does it typically take to receive securities and cash from SIPC if the account protection is instituted?
20. Should I hold my own certificates?
21. What does SIPC and the excess of SIPC coverage cover?
22. 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?
23. If I have more than one brokerage account with Pershing, is each account protected through SIPC?

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

A: Our core financial strength provides the foremost measure of the protection of assets held in our custody. As of September 30, 2011, Pershing was operating with net capital of $1.1 billion, well above the minimum requirement.

In addition to our financial strength, Pershing, as a clearing agent, provides a number of safeguards for the physical protection of assets held in our custody, including:

- An annual audit by a major independent audit firm and the audit team at our parent company, BNY Mellon.
- An annual Statement on Auditing Standards (SAS) 70 Type II audit, which is performed (as required) by a major independent audit firm, to provide additional evaluation of the design and operating effectiveness of Pershing's internal controls as they relate to:
    - Account transfers
    - Broker-dealer billing
    - Clearance and settlement
    - Confirmations and cash management functions
    - Corporate actions
    - Foreign exchange and prime brokerage controls
    - Interest
    - Margin monitoring
    - Order and trade processing
    - Physical custody
    - Pricing
    - Statements
- Pershing is a member of the Securities Investor Protection Corporation (SIPC). As a result, securities in your account are protected up to $500,000 (of which $250,000 can be for claims for cash awaiting reinvestment). For details, please go to sipc.org. Please note that SIPC does not protect against any loss due to market fluctuation.
- In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters at Lloyd's, in conjunction with another commercial insurance company. [1] The excess of SIPC insurance program is valid through December 10, 2012. It provides the following protection for assets held in custody by Pershing and its London-based affiliate, Pershing Securities Limited:

    ▪ An aggregate loss limit of $1 billion for eligible securities across all client accounts
    ▪ A per-client loss limit of $1.9 million for cash awaiting reinvestment within the aggregate loss limit of $1 billion

Neither SIPC protection nor the additional excess of SIPC insurance policy protects against loss due to market fluctuation of investments.

[1] Pershing's excess of SIPC insurance coverage is provided by certain underwriters at Lloyd's's insurance market ($950M) and Axis Specialty Europe Ltd.($50M).

For more information about Lloyd's, please see lloyds.com. An excess of SIPC coverage claim would only arise in the unlikely event that Pershing fails financially and client assets for covered accounts—as defined by SIPC for Pershing LLC accounts or the Financial Services Compensation Scheme (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 client securities, or to maintain the special reserve bank account required by applicable rules.

2) How does Pershing ensure that the controls it has in place are operating effectively?

A: As required, Pershing segregates investor assets, which are fully paid-for, from its own assets. Therefore, in the unlikely event of a financial failure at Pershing, investors' assets will remain untouched and separate from Pershing's own assets. Pershing is required to maintain enough liquid assets, net of any liabilities, to ensure the return of investors' assets in the event of firm failure and liquidation.

- In addition, an annual SAS 70 Type II audit, which is performed (as required) by a major independent audit firm, to provide additional evaluation of the design and operating effectiveness of Pershing's internal controls as they relate to:
  - Account transfers
  - Broker-dealer billing
  - Clearance and settlement
  - Confirmations and cash management functions
  - Corporate actions
  - Foreign exchange and prime brokerage controls
  - Interest
  - Margin monitoring
  - Order and trade processing
  - Physical custody
  - Pricing
  - Statements

3) What is SIPC?

A: To learn about SIPC and the role SIPC plays in investor protection, please visit sipc.org

4) Who can be a member of SIPC?

A: All SIPC members must be registered with the U.S. Securities and Exchange Commission (SEC). If a member loses its SEC registration, its SIPC membership is automatically terminated. To search for member firms, please visit sipc.org.

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

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

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6) How does SIPC protection work?

A: To learn about how SIPC protection works, please visit sipc.org

7) In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters at Lloyd's, in conjunction with another commercial insurance company.[1] What is excess of SIPC coverage?

A: Through private arrangements between broker-dealers and insurance companies, most broker-dealers also provide additional account protection beyond SIPC coverage, which is commonly known as "excess of SIPC" coverage.

[1] Pershing's excess of SIPC insurance coverage is provided by certain underwriters at Lloyd's's insurance market ($950M) and Axis Specialty Europe Ltd.($50M).

8) Who is Lloyd's?

A: Lloyd's 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 of members, who join 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 lloyds.com.

9) What are the limits to the excess of SIPC coverage that is available for assets held in custody at Pershing?

A: For assets held in custody at Pershing, the excess of SIPC coverage follows the terms, provisions, exclusions and limits of SIPC protection (for details, visit sipc.org) with certain other limited restrictions. After the SIPC limit ($500,000 of net equity protection, of which $250,000 can be for claims for cash awaiting reinvestment) is exceeded, Pershing also provides coverage in excess of SIPC limits from Lloyd's, in conjunction with other insurers. 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.

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters at Lloyd's, in conjunction with another commercial insurance company.[1]
The excess of SIPC insurance program is valid through December 10, 2012. It provides the following protection for assets held in custody by Pershing and its London-based affiliate, Pershing Securities Limited:

- An aggregate loss limit of $1 billion for eligible securities across all client accounts
- A per-client loss limit of $1.9 million for cash awaiting reinvestment within the aggregate loss limit of $1 billion

Neither SIPC protection nor the additional excess of SIPC insurance policy protects against loss due to market fluctuation of investments. For more information about Lloyd's, please visit lloyds.com.

An excess of SIPC coverage claim would only arise in the unlikely event that Pershing fails financially and client assets for covered accounts—as defined by SIPC for Pershing LLC accounts or the Financial Services Compensation Scheme (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 client securities, or to maintain the special reserve bank account required by applicable rules.

If the assets of our customers clients' are missing for any of these reasons should Pershing be liquidated, they would be replaced by the underlying account protection (SIPC) program up to the published limits, and then the excess of SIPC coverage would respond in cases in which the excess loss met the criteria discussed in the previous sentence.

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

[1] Pershing's excess of SIPC insurance coverage is provided by certain underwriters at Lloyd's's insurance market ($950M) and Axis Specialty Europe Ltd.($50M).

10) How does excess of SIPC coverage work?

A: The following scenario illustrates how excess of SIPC coverage works: Imagine that the unlikely event that Pershing LLC fails occurs and, as a result, there are $200 million of client claims on assets from three clients that are in excess of SIPC limits over a period of 10 months. 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 up to the limit of the excess of SIPC coverage policy through the commercial insurance program led by Lloyd's.
- The loss on the $100 million, $75 million and $25 million client accounts would be zero, assuming that the aggregate limit of the excess of SIPC coverage policy ($1 billion) has not been reached. The excess of SIPC coverage led by Lloyd's would pay these excess claims.
- The outstanding aggregate amount for any further excess of SIPC coverage claims for the remaining two months (within the 12-month period) is $800 million, assuming no other claims have been paid.

11) Under what circumstances would an SIPC claim or excess of SIPC coverage claim be appropriate?

A: SIPC and excess of SIPC coverage claims would only arise in the unlikely event that Pershing fails financially and client assets for covered accounts—as defined by SIPC for Pershing LLC accounts or the Financial Services Compensation Scheme (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 client securities, or to maintain the special reserve bank account required by applicable rules.

If the assets of our customers clients' are missing for any of these reasons should Pershing be liquidated, they would be replaced by the underlying account protection (SIPC) program up to the published limits, and then the excess of SIPC coverage would respond in cases in which the excess loss met the criteria discussed in the previous sentence.

12) I am an investor with an account value at Pershing that is higher than $500,000. What should I do?

A: Pershing is a member of SIPC. As a result, securities in your account are protected up to $500,000. For details, please visit sipc.org. Please note that SIPC does not protect against any loss due to market fluctuation.

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters at Lloyd's, in conjunction with another commercial insurance company.[1] The excess of SIPC insurance program is valid through December 10, 2012. It provides the following protection for assets held in custody by Pershing and its London-based affiliate, Pershing Securities Limited:

- An aggregate loss limit of $1 billion for eligible securities across all client accounts
- A per-client loss limit of $1.9 million for cash awaiting reinvestment within the aggregate loss limit of $1 billion

Neither SIPC protection nor the additional excess of SIPC insurance policy protects against loss due to market fluctuation of investments. For more information about Lloyd's visit lloyds.com.

[1] Pershing's excess of SIPC insurance coverage is provided by certain underwriters at Lloyd's's insurance market ($950M) and Axis Specialty Europe Ltd.($50M).

13) Is Lloyd's rated? Who rated Lloyd's and what is the rating?

A: Yes. Lloyd's currently has an "A" ("Excellent") with "Stable Outlook" rating from A. M. Best and "A+" ("Strong") with "Stable Outlook" ratings from Fitch Ratings and Standard & Poor's® (S&P®). These ratings are based on the financial strength of the company and are subject to change by the rating agencies at any time. (Ratings as of 12/16/11).

14) When does the Lloyd's's policy expire?

A: The insurance policy extends through December 10, 2012.

15) Does the excess of SIPC coverage that Pershing provides from Lloyd's, in conjunction with other insurers, cover institutional investors in the United States?

A: Yes. Subject to the terms and conditions generally applicable to all other clients under SIPC protection, the excess protection covers institutional clients for all accounts held in custody at Pershing LLC.

16) Are any account assets excluded from the excess of SIPC coverage?

A: Certain types of assets that are not protected under SIPC are also not covered by excess of SIPC protection. Among ineligible investments are assets that are not registered with the SEC under the Securities Act of 1933:

- Antiques and collectibles
- Bank deposits
- Commodity futures contracts
- Fixed and variable annuity contracts
- Investment contracts (such as limited partnerships)
- Precious metals

17) If my assets are not an asset type that is protected by SIPC, do I have any excess of SIPC coverage?

A: No. Your assets must first be protected by SIPC to be eligible for excess of SIPC coverage. Visit sipc.org for more information.

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

A: Please refer to sipc.org for what kinds of investors are eligible for assistance.

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

A: Please refer to sipc.org to learn more about the SIPC claims process.

20) 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.

21) What does SIPC and the excess of SIPC coverage cover?

A: SIPC and excess of SIPC coverage is available for the following products held in custody by Pershing:

- Bonds
- Cash balances
  - Up to $250,000 in cash awaiting reinvestment through SIPC
  - A per-client loss limit of $1.9 million for cash awaiting reinvestment—within the aggregate loss limit of $1 billion—through the excess of SIPC coverage program led by Lloyd's
- Certificates of deposit (CDs)
- Mutual funds
- Notes
- Stocks

Among the investments that are ineligible for SIPC and excess of SIPC coverage are the following:

- Antiques and collectibles
- Bank deposits
- Commodity futures contracts
- Fixed and variable annuity contracts
- Investment contracts (such as limited partnerships)
- Precious metals

To learn more about eligible protection through SIPC, please visit sipc.org

22) 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 SIPC coverage detailed above applies to each account.

23) If I have more than one brokerage account with Pershing, is each account protected through SIPC?

A: 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 to be 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 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.

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Quick Glance—Excess of SIPC Coverage from Lloyd's Together With Other Insurers:

	Excess of SIPC Coverage
What is the excess of SIPC coverage limit?	In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters at Lloyd's, in conjunction with another commercial insurance company.[1] The excess of SIPC insurance program is valid through December 10, 2012. It provides the following protection for assets held in custody by Pershing and its London-based affiliate, Pershing Securities Limited: ▪ An aggregate loss limit of $1 billion for eligible securities across all client accounts ▪ A per-client loss limit of $1.9 million for cash awaiting reinvestment within the aggregate loss limit of $1 billion Neither SIPC protection nor the additional excess of SIPC insurance policy protects against loss due to market fluctuation of investments. [1] Pershing's excess of SIPC insurance coverage is provided by certain underwriters at Lloyd's's insurance market ($950M) and Axis Specialty Europe Ltd.($50M).
Is there coverage for institutional customers?	Pershing LLC institutional customers are covered, subject to the terms and conditions generally applicable to all other clients under SIPC protection. Pershing Securities Limited institutional accounts are not covered since they are not covered under Financial Services Compensation Scheme (FSCS) protection.
When does the coverage expire?	The insurance policy runs through December 10, 2012.
What are the credit ratings from major credit rating agencies?	Lloyd's currently has an "A" ("Excellent") with "Stable Outlook" rating from A.M. Best and "A+" ("Strong") with "Stable Outlook" ratings from Fitch Ratings and Standard & Poor's® (S&P®). These credit ratings (as of 12/16/11) are based on the financial strength of the company and are subject to change by the rating agencies at any time.