



sterne  
agee

New Account Information

# Welcome

Dear Valued Client:

Welcome to Sterne Agee!

You have chosen a brokerage firm (your broker) who utilizes Sterne, Agee & Leach, Inc. (SALI) to provide their clearing needs. SALI is one of the leading clearing firms in the United States. Our responsibility is to execute and process securities transactions and carry client accounts on a fully disclosed basis for your brokerage firm.

Through your broker's clearing arrangement with us, described in the clearing document, we will strive to provide your brokerage firm and you with the best professional services and products available.

We understand that you may have some questions about this clearing arrangement, and how clearing firms work. The following are a few of these commonly asked questions about these issues. Please feel free to contact your broker if you have any additional questions – and again – welcome to Sterne Agee.

## Your Questions Answered

- 1. What is “clearing” and why does my broker need clearing services?** Because securities markets are highly regulated, whenever money and securities are exchanged, regulatory bodies such as the Securities and Exchange Commission require that every aspect of the transaction be documented and verified. The process of transferring ownership of a security, recording and confirming the transfer, performing the required calculations, and completing and documenting the trade is known as “clearing.”

- 2. How are clearing functions different from brokerage activities?** Your broker dealer (or brokerage firm) is not affiliated with SALI. It is responsible for initiating transactions on your behalf. SALI handles the processing relative to those transactions. SALI does not provide investment advice, supervise the activities of your broker dealer, nor do we execute any order received directly from you. Your brokerage firm is responsible for investigating and resolving any inquiries you may have concerning your account. For a detailed description of the separate responsibilities of SALI and your brokerage firm, please refer to the “Clearing Responsibilities” section of this document.
- 3. What is a fully disclosed relationship between my broker and SALI?** The term “fully disclosed” simply means that your brokerage firm discloses your name and address information to us.
- 4. How long has Sterne, Agee & Leach (SALI) been providing services to investors?** Based in Birmingham, Alabama, we have been providing services to investors for over 100 years. We service many investors and brokerage firms nationwide. Our experienced staff of managers have, on average, over 20 years experience in the brokerage business, with resumes that include some of the biggest firms on Wall Street. These dedicated individuals are highly responsive in working to meet your needs promptly.
- 5. Will I be interacting with SALI?** On behalf of your brokerage firm and its clients, SALI operates in an execution and clearing capacity that is almost totally behind the scenes. You will seldom, if ever, have the occasion for direct contact with SALI.
- 6. Who keeps me informed of activity in my account?** You place all transactions and inquiries through your broker. SALI sends you a confirmation of every securities transaction in your account. We also provide you with a monthly statement of your account in a clear, easy-to-read format. For further information about your statement, please contact your broker.

- 7. Are the assets in my account protected?** Yes. Securities regulations require that all transactions be paid by settlement date. Make checks payable to Sterne, Agee & Leach, Inc. SALI is a member of Securities Investors Protection Corporation (SIPC), which provides protection up to \$500,000, including \$100,000 for cash (explanatory brochure available upon request or at [www.sipc.org](http://www.sipc.org) or call 202-371-8300). Our Priority Customer Protection program provides an additional \$24.5 million coverage for each account covered by SIPC, with an aggregate loss limit of \$100 million. This excess SIPC coverage is provided by Lloyd's of London. SIPC and Priority Protection insurance do not protect against market fluctuation.
- 8. What other ways does the relationship with SALI benefit my broker?** Through SALI, your broker has execution capabilities on the New York Stock Exchange and all other major exchanges. We further support your brokerage firm with an Over-the-Counter Trading Department and a Fixed Income Trading Department specializing in government, corporate and municipal bonds, certificates of deposit (CDs), and collateralized mortgage obligations (CMOs). All of these capabilities allow your brokerage firm to provide the same service found at the largest nationally based brokerage firms.
- 9. Does SALI provide features that can benefit me directly?** For your convenience and anticipation of settlement on T + 1, we offer an enhanced cash management account, which features a no minimum balance requirement, unlimited check-writing, a Platinum VISA debit/ATM card, and a credit reserve which will automatically loan you up to 50% of the value of marginable securities in your account.

The following pages contain some required information for your review. Please contact your broker with any questions you may have.

# Clearing Responsibilities

Rule 382c of the New York Stock Exchange requires that the broker dealer who carries customer accounts on a fully disclosed basis pursuant to a clearing agreement must notify the customer of the existence of such an agreement and of the relationship between the parties. Sterne, Agee & Leach, Inc., is carrying your account on behalf of your brokerage firm. The following is to advise you of our contractual relationship and to list the allocation of certain key functions performed by each party:

1. We effect the execution, clearance and settlement of securities transactions processed through us by your brokerage firm;
2. We prepare and transmit confirmation of executed transactions directly to you or to your broker for transmittal to you;
3. We act as custodian for funds and securities you may deposit with us directly or that have been accepted by us through your broker and have been evidenced by our monthly statement sent to you. Additionally, this includes funds and securities we receive as the result of securities transactions we process;
4. We issue monthly statements of your accounts when there is activity;
5. We receive and deliver funds and securities held by us as instructed by you or your broker;
6. If you request a margin account, and we extend credit to you, your broker is responsible for obtaining from you the initial margin required by Regulation 220.5 Thereafter, we will calculate the amount of collateral and maintenance margin required by New York Stock Exchange rules as well as our in-house requirements. We will advise you of such requirements through your broker. Occasionally, we may contact you directly. We also compute and charge to your account the interest on any debit balance at a rate agreed to by your broker.

We maintain the books and records required by law and by business practice. For purposes of the Securities and Exchange Commission's financial responsibility rules adopted under the Securities Exchange Act of 1934, as amended, and regulations adopted thereunder, customers are customers of Sterne, Agee & Leach, Inc.

We may also provide other services related to your account. These services include: collection and handling of dividends; interest; distributions; rights; warrants; the crediting of same to your account; and dealing with (including giving notice of) exchanges, tender offers, redemptions, calls, etc. When we hold securities for you in your name, we perform the same service if we are designated to receive payments and notices.

Your broker dealer is responsible for adherence to the Securities Laws, regulations and rules which apply to it regarding its own operations and the supervision of its activities, your accounts, its sales representatives and other personnel.

Your broker dealer is also responsible for approving the opening of new accounts, maintenance of account documents, the acceptance and, in certain instances, execution of securities orders, the assessment of the suitability of those transactions, the rendering of investment advice to its customers and, in general, for the on-going relationship that it has with its customers. Inquiries regarding your account should be directed to your broker dealer.

We comply with all applicable securities laws, regulations and rules, particularly those involving capital and safety of customers' funds and securities received by us. In this regard, our firm is a member of the Securities and Investors Protection Corporation (SIPC).

**We have no control, agency, supervisory relationship or affiliation with your broker other than as processor for those transactions presented to and accepted by us for processing. In this role, we do not address issues of suitability or soundness of investments presented by your broker for processing.**

Any monthly statement discrepancies or questions about Sterne, Agee & Leach, Inc.'s obligations should be directed to the Customer Service Department at 1-800-778-6257.

This information has addressed the allocation of responsibility for the basic functions performed in handling your securities account. It is not meant as a definitive enumeration of every possible circumstance, but is meant as a general disclosure.

If you have any questions regarding these clearing responsibilities, please contact your brokerage firm.

## Customer Identification

To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify, and record information that identifies each person who opens an account.

When you open an account, our firm is required to collect information such as the following from you: name; date of birth; address; identification number: U.S. Citizen—taxpayer identification number (social security number or employer identification number); Non-U.S. Citizen—taxpayer identification number (social security number or employer identification number), passport number and country of issuance, alien identification card number, or government-issued identification showing nationality, residence, and a photograph of you. You may also need to show and/or provide a copy of your driver's license or other identifying documents.

A corporation, partnership, trust, or other legal entity may need to provide other information, such as its principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement, or a trust agreement.

U.S. Department of the Treasury, Securities and Exchange Commission, FINRA, and New York

Stock Exchange rules already require you to provide additional information, such as your net worth, annual income, occupation, employment information, investment experience and objectives, and risk tolerance.

We may not be able to open an account or carry out transactions for you if you do not provide this information or your identify cannot be verified. If we already have an account opened for you, we may have to close it.

## Credit Terms and Policies

The following Disclosure Statement of Credit Terms and Policies is required by the Securities and Exchange Commission and is part of your Client Agreement. Should you have any questions regarding this Disclosure Statement, please contact your brokerage firm.

### **Interest Charge**

Margin transactions normally involve the extension of credit made by Sterne, Agee & Leach, Inc., (Sterne Agee), when you deposit only a portion or the moneys or the collateral required in a transaction. Withdrawals of cash from your account, or an increase in the market interest and any other applicable charges will be assessed to your account.

Your account will be charged interest on any extension of credit to you by Sterne Agee in connection with the purchase, sale or carrying of any securities. The interest charge will be based on your adjusted debit balance multiplied by the daily margin interest rate. You will receive a statement of your account, at least quarterly, showing the adjusted daily debit balance, interest charges, and the applicable interest rates.

Interest will be charged to you if we approve prepayment of the proceeds from the sales prior to settlement date. Interest may also be charged on debit balances in Cash Accounts due to a late payment.

## Daily Margin Interest Rate

The “daily margin interest rate” is based on a 360-day year and is calculated by dividing the applicable margin interest rate by 360. The applicable margin interest rate is set at a percentage above Sterne Agee’s Base Rate as shown in the following table:

If the amount of your average adjusted daily debit balance is:	The interest rate charged is:
Over 100,000	Base Rate + 0.50%
75,000 – 99,000	Base Rate + 1.00%
50,000 – 74,999	Base Rate + 1.25%
25,000 – 49,999	Base Rate + 1.50%
Under 25,000	Base Rate + 1.75%

Sterne Agee sets the Base Rate at its discretion with consideration to commercially recognized interest rates relating to the extension of credit, as well as general market conditions. The margin interest rate may be changed without notice to you to reflect changes in the Base Rate. If your interest rate is increased for any other reason, Sterne Agee will notify you in writing at least 30 days prior to the date of the increase. Please contact your brokerage firm for the current Base Rate.

The term “adjusted daily debit balance,” means the daily debit balance less applicable free credits, if any. The daily debit balance is the unpaid amount loaned to you as of the close of the business day. Debits and credits resulting from purchases and sales are posted to your account as of the settlement date. A credit balance in your Cash Account will be applied as a reduction of a debit balance in your Margin and/or Short Account. Should you deposit a check or other item that is later returned unpaid, your account may be adjusted to reflect additional interest or other charges that apply.

## Initial Margin/Account Maintenance Requirements

The Federal Reserve Board and various self-regulatory regulations require the maximum amount currently available to you is 50% of the value of marginable securities purchased or held in your account (“initial margin”). The maximum loan available for debt securities varies with the type of security. Your minimum account equity must be \$2,000.00, or other

amount as may be required by applicable rules, regulations, or Sterne Agee house policies. Initial margin and margin maintenance requirements may change without notice. Equity securities with a market value of less than \$5.00 per share are not marginable.

A margin call (notification to deposit additional collateral) may be issued if your account equity drops below the margin maintenance requirement. Normally, additional collateral will be required if your account equity declines below 30% depending upon such factors as Sterne Agee, in its sole discretion, may deem material, including but not limited to the type, price, quantities and marketability of securities, or combination thereof, held in your account. If the market value of a security falls below \$3.00 per share, the security will not be assigned a value as collateral to secure your margin obligations.

### **Short Option Positions**

Uncovered option contracts are subject to both initial margin and margin maintenance requirements. These positions involve higher levels of risk and more stringent requirements may be imposed. Please contact your brokerage firm for details.

### **Short Sale Transactions**

Any credit resulting from a short (including a short sale against the box) will not reduce your debit balance on which interest is charged because the securities sold short must be borrowed to make delivery to the purchaser and an amount equal to the proceeds of the short sale must be deposited with the lender. You are liable for all dividends and interest paid on securities borrowed for the purpose of short sales.

The value of securities held short in your account will be “marked to the market” daily. Any resulting increase or decrease in the market value will be included in your adjusted daily debit balance.

Sterne Agee may at its discretion, for any reason and without notice, immediately cover any short security position by purchasing securities for your account.

## **Liens and Liquidations**

All monies or securities held by Sterne Agee at any time in any of your accounts (individual, joint or otherwise) for any purposes shall be collateral subject to a general lien and security interest for the discharge of all your obligations to Sterne Agee.

Sterne Agee may also demand repayment of any loan balance in whole, or in part, at any time and for any reason. Additionally, Sterne Agee may require you to deposit additional collateral as security for your obligations.

## **Privacy Policy**

As you know, your account is introduced to Sterne, Agee & Leach, Inc. by your brokerage firm. Through this relationship, we are responsible for the protection of your assets under Securities Investor Protection Act regulations. As a part of this arrangement, Sterne, Agee & Leach, Inc. maintains your account records.

At Sterne Agee, protecting our customer privacy is paramount, and we realize that your financial matters are extremely private and sensitive in nature. Therefore, we are providing this information that outlines our privacy policy and pledge to you. This privacy policy applies to our entire Sterne Agee Group, Inc. corporate family, which includes:

Sterne, Agee & Leach, Inc.  
Sterne Agee Asset Management, Inc.  
The Trust Company of Sterne Agee, Inc.  
Sterne Agee Clearing, Inc.  
Sterne Agee Financial Services, Inc.

## **Information We Collect**

We collect only the information that is required to provide you with the highest quality professional services or that is required by law and regulation. We maintain strict security procedures to protect the information that we collect. We collect non-public personal information about you from:

- Applications or other forms we receive from you;
- Transactions with us, our affiliates, or others; and
- Consumer reporting agencies as needed.

## **Limited Disclosure of Information**

We provide non-public personal information (as noted above) to outside vendors only to the extent necessary to complete your financial transactions, keep you fully informed as to these transactions, and maintain our professional relationship with you. Any information that we provide outside vendors is restricted as to content and recipient. Any organization that receives such information must provide us with a copy of its privacy policy, and each policy will be reviewed to ensure that it is sufficient to meet Sterne, Agee & Leach's client information privacy standards. Under no circumstances whatsoever will Sterne, Agee & Leach sell information about you or your business to any vendor, public or private.

## **Confidentiality and Security**

Employee access to customer information is restricted to those who have a legitimate need to know in order to provide our professional services or to comply with laws and regulations. We maintain both physical and electronic safeguards in accordance with federal law and regulatory standards; any employee who has access to individual information receives training about and is required to follow company procedures designed specifically to keep that information confidential. These procedures are also designed to ensure that your financial information is accurate, current and complete. Please notify us if at any time our records contain incomplete or inaccurate information about you. Upon notification from you regarding our records, we will promptly address your concerns and make any necessary correction.

## **Information Sharing Within Our Corporate Family**

Our clients benefit from information shared within Sterne Agee Group, Inc. It is important that we have the ability to share this information to provide the quality procedures and services associated with entrusting your securities business with us.

Protecting your privacy is an on-going process. As technology continues to advance, Sterne, Agee & Leach will continue to evaluate its security standards and procedures associated with protecting your privacy. Nothing is more important to us than our clients' trust and confidence, and we will take whatever steps necessary to maintain the security of

our professional relationships. Our policies and practices for the disclosure of information, stated above apply to both current and former customers of Sterne Agee Group, Inc. and affiliates.

Sterne Agee Group, Inc.; Sterne, Agee Asset Management, Inc.; and The Trust Company of Sterne Agee, Inc. are not registered broker dealers. Sterne Agee Group, Inc.'s subsidiaries: Sterne, Agee & Leach, Inc.; Sterne Agee Clearing, Inc.; and Sterne Agee Financial Services, Inc. are registered broker dealers and are members of the Securities Investor Protection Corporation (SIPC).

The above notice is the privacy policy of Sterne Agee Group, Inc. Please contact your brokerage firm for a copy of their privacy policy.

## Order Flow/Routing Information

All broker dealers are required by the Securities and Exchange Commission to make disclosure to customers concerning order routing practices and payment for order flow received from market centers and regional exchanges to which the broker dealer routes orders for execution. We are providing you the following details to assist you in better understanding the process Sterne, Agee & Leach employs.

Sterne, Agee & Leach, Inc. could receive payment for routing certain orders in equity securities to specialized market maker firms and alternative market centers ("market makers") for execution. Orders for securities entered at the market or "at quote" limit prices may be eligible for such payments. Other types of orders generally are not eligible for payments.

In the absence of specific instructions from customers, Sterne, Agee & Leach, Inc. and its affiliates generally direct orders for certain securities to market makers regardless of whether a particular order qualifies for payment as described above. However, orders normally directed to a market maker or alternative market center may be re-routed because of extraordinary market conditions or other emergencies such as equipment failure.

Sterne, Agee & Leach, Inc. and its affiliates believe that our order-routing policies may provide significant benefits to our customers. Practices engaged in by specialized market maker firms and alternative market centers are designed to enhance execution quality and, most of all, provide opportunities for price improvement.

Sterne, Agee & Leach, Inc. and its affiliates, upon written request, will provide specific information (i.e. whether or not payment for order flow was received, the source of such payment, and the amount of such payment) about any particular transaction in your account. These requests should be directed to our Compliance Department.

Additionally, upon written request, Sterne, Agee & Leach, Inc. and affiliates will provide you with details regarding the destination to which your orders (for up to six months preceding your request) were routed for execution, whether the orders were directed or non-directed orders, and the times of execution. We also invite you to visit our website at [www.sterneagee.com](http://www.sterneagee.com) (go to “Sterne, Agee & Leach, Inc.” “Equity Capital Markets” and then “Order Routing Information”) for the most recent quarterly reports on our order routing practices. You may request a printed copy of this information on this website which we will provide free

## Business Continuation Plan

Sterne Agee & Leach, Inc. (“SALI”) custodies your assets as introduced by your broker dealer. SALI has a business continuity plan (“BCP”) as required under NYSE Rule 446 that contemplates both temporary and longer term business interruptions. In the event of an interruption, your broker dealer will be advised of contingency plans that would allow him or her to continue to process transactions and provide access for you to your assets on deposit at SALI. Contact your broker dealer for details of his or her BCP. Visit our Web site at [www.sterneagee.com](http://www.sterneagee.com) or call 800.264.4863 for information about your access during a business interruption.

Fee  
Schedule  
Pocket

Sterne, Agee & Leach, Inc.  
Member SIPC/FINRA

Sterne Agee is the trade name  
used by all affiliates of Sterne  
Agee Group, Inc., including Sterne  
Agee Clearing, Inc. and Sterne  
Agee Financial Services, Inc.

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