



Attn: Trading and Market Making / Legal and Compliance / Operations / Systems
UNIFORM PRACTICE ADVISORY (UPC # 091-2003) May 27, 2003

Service Merchandise Company, Inc. – Common Stock (OTC:SVCDQ)

Notice has been received that the above Company's First Amended Plan of Liquidation (Plan) filed under Chapter XI of the Federal Bankruptcy Code became effective on May 27, 2003. Pursuant to the Plan, holders of the above referenced securities are ***not*** to receive any distributions of property on account of their interests.

Members are reminded of their obligations under NASD Conduct Rule 2310 if they continue to engage in transactions in the above security after the effective date.

Members are further advised that deliveries in settlement of contracts in the **OLD** securities, which were executed prior to the announcement that the securities had been deemed worthless, shall be evidenced by either a) the **OLD** security; or b) a *Letter of Indemnity* which shall grant the purchaser any rights and privileges which might accrue to the holders of the physical securities. Such deliveries shall operate to close-out the contract and shall be settled at the existing contract price pursuant to Uniform Practice Code Rule 11530.

Questions regarding this notice should be directed to: Market Integrity Department, 203.375.9609.

Dorothy L. Kennedy
Director