Special Arbitration Procedure (SAP) for Auction Rate Securities
Frequently Asked Questions

Consult the "Special Arbitration Procedures for Investors Involved in Auction Rate Securities Regulatory Settlements" page at http://www.finra.org/ArbitrationMediation/P117440 for detailed information on FINRA and SEC rules, forms, and agreements.

---

1. **What is the Special Arbitration Procedure (SAP) program for auction rate securities investments?**
   In settlements with firms, the SEC and FINRA created provisions allowing eligible investors the opportunity to file claims for consequential damages under special procedures administered by FINRA Dispute Resolution. The regulatory settlements define eligibility for the SAP.

2. **How do I know if I am an eligible investor?**
   You are eligible to participate in a SAP if you received a buyback offer from a firm that entered into a regulatory settlement with the SEC and/or FINRA, and the settlement agreement stipulates to the SAP. If you have incurred consequential damages as a result of your purchase of ARS, you may elect to participate in the SAP.

3. **What are the Special Arbitration Procedures?**
   The SAP uses regular rules contained in the Code of Arbitration Procedure except as modified by the regulatory settlements. SAPs for each regulatory settlement are located on FINRA's web site.

4. **If I have a pending "regular" ARS case, can I proceed under the SAP without having to file a new case?**
   If the case is against a firm that has entered into a *final* settlement with a regulator, and does not have arbitrators appointed, you can proceed under the SAP and you do not need permission from the respondent. However, if the panel is in place, you need the consent of the panel. You will need to Amend the claim to remove all damages not allowed by the SAP and complete and submit the SAP Claim Form; you can find this information on the main SAP page.

5. **How will I know if the firm I purchased ARS from entered into a regulatory settlement with the SEC and/or FINRA?**
   You may view the most current list of firms that entered into regulatory settlements with FINRA and the SEC on or web site.

6. **I want to file a claim for damages under the SAP. Are there any limitations on damages?**
   Yes. The SAP is for the recovery of consequential damages only. No other claim related to ARS securities may be brought and/or continued in any forum against the firm if you elect to submit a claim in the SAP. Under the SAP, you may not recover as consequential damages any attorneys' fees incurred in connection with this ARS SAP arbitration or any related mediation proceeding. Investors can seek to recover as consequential damages any attorneys' fees they may have incurred in a prior arbitration or action relating to their ARS.

7. **Will I incur any fees if I file a claim for consequential damages under the SAP?**
   The firm will pay for all filing and forum fees, hearing session fees, and other fees (with the exception of fees assessed for postponements that you request) assessed under the Code, including all fees and expenses of arbitrators or mediators, and any additional surcharges or fees FINRA may deem necessary to administer the SAP cases.

8. **What defenses may firms raise in a SAP claim?**
   Under the SAP, firms have limited defenses. The firm may not contest liability relating to the illiquidity of the underlying ARS position or to the ARS sales, including any claims of misrepresentations or omissions of its agents. The firm cannot use as part of its defense an investor's decision not to sell ARS holdings prior to the ARS settlement date or the investor's decision not to borrow money from the firm if such loan facility was made available to ARS holders. The firm also cannot assert statutes of limitations or repose or any other time bar principles, except that the firm may assert lack of eligibility to proceed under the SAP. However, arbitrators may consider a firm's unconditional buyback offer at par, including the timing and delivery of such offer, in their determination of consequential damages.

9. **Do I have to participate in the SAP if I accepted the buyback offer from my firm?**
   No. Your participation in the SAP is voluntary. If you elect not to take advantage of these special procedures, you may pursue all other legal or equitable remedies available including filing a regular arbitration with FINRA.

10. **If I choose to proceed with the SAP, can I name multiple respondents in the same claim?**
    No. You may only name a single firm that has entered into an ARS regulatory settlement.

11. **What will I need to prove to support my claim for consequential damages in the SAP?**
    Investors who choose to pursue these claims shall bear the burden of proving that they suffered consequential damages and that such damages were caused by the investors' inability to access funds consisting of investors' ARS purchases through the firm.

12. **May I include claims relating to securities other than the eligible ARS in my SAP claim?**
    No. Claims relating to securities other than the eligible ARS may not be asserted in the SAP.

13. **I previously arbitrated to award and/or settled claims relating to eligible ARS securities. May I file a claim for consequential damages under the SAP?**
    No. Investors who previously arbitrated to award or previously settled and released claims relating to their eligible ARS securities are not eligible to participate in the SAP.

14. **What documents do I need to file to participate in the SAP?**
    To initiate an SAP claim, an investor must file a completed SAP Submission Agreement and Claim Form and documentary proof that the buyback offer was accepted. The Submission Agreement and Claim Form is available on FINRA's web site.

    The investor must provide enough copies of each document for the Director, the arbitrator, and the other party. These documents must be filed at the following address:

FINRA Dispute Resolution
One Liberty Plaza
165 Broadway, 27th Floor
New York, NY 10006
(212) 858-4200.

An investor may not submit an online arbitration claim. Investors must file the necessary documentation at the address listed above.

15. Are there different claim forms for filing an SAP claim against firms that entered into regulatory settlements with FINRA and the SEC?

Yes. There is a Submission Agreement and Claim Form for investors of firms who entered into regulatory settlements with FINRA or the SEC.

16. How many arbitrators will decide my claim and how will they be appointed to the case?

Claims for consequential damages under $1,000,000 (one million dollars) shall be decided by a single chair-qualified public arbitrator, who will be appointed through FINRA's list selection process for single arbitrator cases. Claims for consequential damages of $1,000,000 or greater will also be decided by a single chair-qualified arbitrator, unless both parties agree, in writing, to the appointment of three public arbitrators.

17. Am I required to have an in-person hearing with the arbitrator?

Claims for consequential damages of $25,000 or less will be decided in accordance with FINRA's simplified procedures. The arbitrator will decide the case based on the parties' submissions unless the investor requests a hearing. Parties may agree to proceed under the simplified arbitration procedures in cases with amounts in controversy **above** $25,000.

18. Will I have to travel to a hearing?

Unless you request otherwise, a telephonic hearing will be held in lieu of an in-person hearing for cases where claims for consequential damages are less than $100,000. The parties may agree to a telephonic hearing for claims of $100,000 or greater.

19. If I participate in the SAP, can I mediate my consequential damages claim?

By agreement of the parties, the case may proceed to mediation under FINRA's auspices, with all fees and expenses to be paid by the firm.

20. If I proceed under the SAP, may I file another ARS claim against the firm?

No. If you proceed under the SAP, the SAP will be your exclusive remedy for resolving claims against the firm related to eligible ARS.

21. How long will it take to hold a hearing for a SAP case?

Generally, the evidentiary hearing should begin within 180 days from the date you file all of the necessary documents to initiate a SAP claim. See question 12 to learn what documents must be submitted to initiate a SAP claim. However, the arbitrator, after taking into account the specific circumstances of each claim, will make the final determination as to the scheduling of hearings. Please review the relevant SAP for further guidance.

22. Under the SAP, will the firm be allowed to file motions to dismiss prior to the hearing?

No. Firms cannot assert motions to dismiss until after presentation of an investor's case-in-chief.