



Integrated Brokerage Solutions®

Asset Protection

In light of recent market events, National Financial Services LLC (NFS) has prepared this document to remind you of the comprehensive protections in place to help protect brokerage assets held at NFS.

Key Messages

- The assets in your Westport Resources* account are held with National Financial Services LLC, a Fidelity Investments company. Fidelity is one of the most trusted and respected names in the financial services industry¹.
- As a registered broker/dealer, NFS is required to comply with the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and other industry rules.
- In accordance with those rules, NFS protects client assets that are fully paid by segregating them and ensuring they are not used for any other purpose. This practice helps ensure that customers have access to these securities at all times.
- NFS has several internal organizations, led by experienced industry professionals, whose primary mission is protecting client assets.
- Beyond these protections, securities in accounts carried by NFS are protected in accordance with the Securities Investor Protection Corporation (SIPC) and to supplement its SIPC coverage, NFS has arranged for additional protection for cash and covered securities from Lloyd's of London.
- This is the maximum excess SIPC protection currently available in the brokerage industry.

What can you tell me about the custodian of my brokerage account?

National Financial Services LLC, a Fidelity Investments company, is one of the largest providers of brokerage services; providing clearing and other related services for your brokerage account. As of September 30, 2008, NFS serviced 18.3 million accounts representing \$1.7 trillion in assets.

What sort of regulatory controls are in place to protect the safety of customer assets?

As a registered broker/dealer, National Financial Services LLC is subject to the rules and regulations of the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and other exchanges of which National Financial Services LLC is a member, including the Municipal Securities Rulemaking Board (MSRB). These regulatory organizations each have certain rules and regulations that National Financial Services LLC must follow to safeguard your assets, including:

- Protecting client assets that are fully paid for by segregating them and ensuring they are not used for any other purpose.
- Keeping accurate records of your assets held at National Financial Services LLC.
- Maintaining net capital at required levels.

** Westport Resources Management, Inc. is an Investment Advisor registered with the SEC. Securities are offered through Westport Resources Investment Services, Inc., a broker/dealer registered with the SEC and a member of FINRA & SIPC. Brokerage accounts are carried by National Financial Services LLC, a Fidelity Investment Company.*

¹ Reputation Institute, June 2008.



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In compliance with SEC rules, National Financial Services LLC has its financial information audited each year by an independent public accounting firm. Further, as a member of FINRA and as a broker/dealer registered with the SEC, National Financial Services LLC is subject to their regulatory oversight and examinations.

National Financial Services LLC 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, which include:

- Statement of financial condition.
- Income statement and statement of changes in stockholders' equity.
- Regulatory schedules, including a computation of net capital, a reserve formula computation, and other key financial and operational data.

In accordance with the rules that apply to registered broker/dealers, NFS protects client assets that are fully paid for by segregating them and ensuring they are not used for any other purpose. These securities must be held for your own exclusive benefit, and are subject to the instructions provided to National Financial Services LLC by your broker/dealer. National Financial Services LLC 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.

Like other registered broker/dealers, NFS is required to regularly file reports with the SEC about its net capital position. SEC rules require NFS and other broker/dealers to maintain minimum net capital equal to 2% of aggregate debit items associated with customer transactions. As part of its commitment to protecting customers, NFS maintains a significantly higher net capital level than is required.

National Financial Services LLC's balance sheet as of June 30, 2008, showed they had net capital of \$2.3 billion, which was 15.5% of aggregate debit items and exceeds the minimum requirement by \$2 billion.

Specific rules that help protect customers are:

- SEC Rule 15c3-1 (net capital for broker/dealers) — In accordance with this rule, NFS' excess net capital must meet a mandated minimum to protect client assets.
- SEC Rule 15c3-3 (customer protection, segregation of fully-paid-for and excess margin securities and funds) — In accordance with this rule, NFS protects client securities that are fully paid for by segregating them and ensuring that they are not used for any other purpose, such as for loans to investors or institutions. This practice helps ensure that customers have access to these securities at all times. This rule also protects customers by requiring that a broker/dealer maintain a special reserve bank account, separate from all bank accounts of the broker/dealer, for the exclusive benefit of customers. The rule requires NFS to compute, at least weekly, the net amount of funds received from customers and place those funds in the separate special reserve account.



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- SEC Rule 17a-11 (requires the broker/dealer to make certain notices when its financial condition or other specific circumstances raise concern) — In accordance with this rule, NFS would be required to promptly notify the SEC (within 24 hours) should net capital fall below 120% of its required level.
- SEC Rule 17a-5 (requires periodic reports on financial/operational condition and auditors reports on financial condition and internal control) — In accordance with this rule, NFS files reports with the SEC on a monthly basis, detailing its current financial condition.
- SEC Rules 17a-3 and 4 (books and records creation and maintenance) — In accordance with this rule, NFS' broad set of policies ensure that its books and records are properly created, maintained and audited.

NFS has several internal organizations, led by experienced industry professionals, whose primary mission is protecting businesses and client assets. These include:

Risk Oversight: Reviews, develops and implements processes and procedures to help protect NFS and its clients.

Corporate Audit: Reviews and helps ensure the effectiveness and efficiency of our internal controls.

Corporate Security: Provides site security, pre-employment screening and due diligence research for prospective business alliances.

Enterprise Compliance: Helps ensure that NFS is in compliance with industry regulatory requirements.

What is SIPC Coverage?

Both National Financial Services LLC and our broker/dealer are members of the Securities Investor Protection Corporation (SIPC), which was created in 1970 to protect customers of member broker/dealer firms in case of broker/dealer liquidation. A nonprofit membership corporation, SIPC is funded by broker/dealers, and protects their membership by law.

Because the Securities Investor Protection Act of 1970 affords special benefits to SIPC-covered firms such as National Financial Services LLC, our agreement with National Financial Services LLC provides your assets a high level of coverage. Securities in accounts carried by National Financial Services LLC are protected in accordance with the Securities Investor Protection Corporation (SIPC) up to \$500,000 (including cash claims limited to \$100,000).

For details, please see www.sipc.org.

Within certain limits, SIPC coverage applies to both investor securities held by National Financial Services LLC and cash on deposit that will be used to purchase securities, or that has been generated from the sale of securities. This SIPC coverage protects your assets in the unlikely event that National Financial Services LLC should fail to meet its obligations, but this SIPC coverage is separate from the SIPC coverage that is available should we, as your broker/dealer, fail to meet our obligations. It also does not protect against a decline in the market value of your securities. When analyzing your SIPC coverage, you should consider the following additional facts:



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- The maximum SIPC coverage for covered amounts is \$500,000.
- Your cash balances awaiting reinvestment are protected up to \$100,000, which is included in the \$500,000 coverage.
- 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 National Financial Services LLC are protected, including stocks, bonds, notes, debentures, certificates of deposit (CDs), and mutual funds, including money market funds.

It is important to remember that SIPC coverage applies only in the event that a brokerage firm is deemed insolvent or experiencing other financial difficulties and securities are missing from accounts. National Financial Services LLC is subject to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). In accordance with SEC rules (in this instance, SEC Rule 15c3-3), National Financial Services LLC protects client securities that are fully paid for by segregating them and ensuring that they are not used for any other purpose, such as for loans to investors or institutions. This practice helps ensure that customers have access to these securities at all times.

What is excess SIPC Coverage?

To protect your assets in excess of the coverage provide by SIPC, NFS has procured additional asset protection, through CAPCO and Lloyd's of London. This additional protection is commonly referred to as "Excess SIPC Coverage." Effective February 16, 2009, the CAPCO policy will expire and will not be renewed.

This additional protection covers up to an aggregate limit of \$1 billion of which \$1.9 million may cover cash awaiting reinvestment at the individual account level. This protection becomes available in the event that SIPC limits are exhausted and is the *maximum level of excess SIPC coverage currently available in the brokerage industry.*

What is Lloyd's current industry rating?

As of January 6, 2009, Lloyd's has an A (Excellent) rating with "Stable Outlook" from AM Best and A+ (Strong) ratings with "Stable Outlook" from Fitch Ratings and Standard & Poor's. Note ratings are subject to change at any time. For more information on Lloyd's of London, please go to www.lloyds.com.

Are there certain assets that are not eligible for SIPC and excess SIPC Coverage?

Certain assets are not eligible for SIPC and Excess SIPC protection. Among the assets typically not eligible for SIPC protection are commodity futures contracts, currency, and precious metals, as well as investment contracts (such as limited partnerships) and fixed annuity contracts that are not registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933. Money market mutual funds are considered securities under SIPC and excess SIPC coverage. If an account is not covered by SIPC, it will not be covered by Lloyd's.

What would need to happen for a SIPC and Excess SIPC claim to occur?

With strong controls in place, NFS does not anticipate needing SIPC or Excess SIPC Coverage. It is important to bear in mind that SIPC coverage only applies when a brokerage firms is closed due to insolvency or other financial difficulties and then *only* if customer assets are missing from accounts. Finally, excess SIPC protection would *only* be used were SIPC to be exhausted.