

To Our Clients: Spencer Edwards, Inc.'s Anti-Money Laundering Program

Following the attacks on September 11, 2001, the U.S. government enacted the USA PATRIOT Act, which is designed to prevent the use of the U.S. financial system to help fund terrorism and other crimes. The Act imposes a series of new anti-money-laundering requirements on brokerage firms and other financial institutions. While Spencer Edwards, Inc. ("SEI") has always had a money-laundering prevention program, in response to the Act, we have undertaken efforts to further enhance these existing policies and procedures.

Under the USA PATRIOT Act and other regulations, financial services firms must establish a compliance program, which includes policies and procedures to detect and report suspicious transactions to the government, as well as ensure compliance with the new laws. Firms must also implement specialized employee training programs, designate a special compliance officer and conduct independent audits of the effectiveness of the compliance program.

- SEI has revised its anti-money laundering policies as a result.
- An anti-money-laundering officer has been designated to lead our program.
- We have implemented a suspicious activity reporting system to enable us to better report suspicious activity to the government.

All of our employees are being trained in anti-money-laundering practices and procedures, as well as the details of SEI's policies.

The regulations also impose new requirements regarding client information and verification of that information. Financial services firms are required to verify the identity of the clients with whom they do business, determine the source of funds in a client's account and obtain the information about a client's wealth.

At SEI, we have always stressed the importance of knowing our clients. This policy has developed not only from regulatory requirements but also from the belief that the better we know our clients, the better we can serve their financial needs.

As part of our compliance with the new Act and in support of the fight against money laundering around the world, we may ask clients for additional information and documentation about certain accounts and transactions. This information may be used to verify client identity.

We believe that compliance with the new regulations is of the utmost importance and we feel confident our clients share this belief. With the advent of the USA PATRIOT Act and our enhanced compliance, our clients can take even greater comfort in doing business with us.

Money laundering is the process of disguising illegally obtained money so that the funds appear to come from legitimate sources or activities. Money laundering occurs in connection with a wide variety of crimes, including terrorism, illegal arms sales, drug trafficking and public official corruption.