



ALBERT FRIED & COMPANY, LLC

SEC Rule 204
Regulation SHO- Long and Short Sale
Buy-In Obligations on Fail to Delivers ("FTD")

Dear Client:

On July 27, 2009, the Securities and Exchange Commission ("SEC") issued a release ("Release") making permanent the close-out requirements of former interim final temporary Rule 204T, which are intended to address "naked" short selling and "fails to deliver" ("FTDs") in all equity securities. Rule 204 continues, largely unchanged, the prior requirements of Rule 204T to close-out FTD positions that result from either long sales or short sales. In other words, clearing firm participants ("Participants") such as Albert Fried & Company, LLC (the "Firm" or "AF&CO") are required to borrow or purchase securities if they have FTD positions.

Rule 204 T includes the following general requirements for Fail To Delivers ("FTDs"):

- FTDs Resulting from Short Sales – AF&CO is generally required to closeout FTD positions resulting from short sales by borrowing or purchasing securities, by no later than the beginning of regular trading hours (9:30), on the settlement day following the regular settlement date (T+4).
- FTDs Resulting from Long Sales and Bona-Fide Market Making Sales – AF&CO is generally required to close-out FTD positions resulting from long sales and bona-fide market making sales by registered market makers by purchasing or borrowing securities, by no later than the beginning of regular trading hours (9:30), on the third consecutive settlement day following the regular settlement date (T+6).
- Borrow or Arrange to Borrow Requirements -To the extent that AF&CO is not able to comply with the above close-out requirements, the Participant, and any broker-dealer from which it receives trades for clearance and settlement, is unable to effect further short sales in the particular security without first borrowing or arranging to borrow the security, until the FTD position is closed out by the Participant purchasing securities, and such purchase has settled.
- For options, if an exercise of long puts or an assignment of short calls results in a short stock position that the client would like to maintain, then shares must be available at AF&CO to cover the position on T+3. If such shares are not available, the position must be bought in.
- Extension for Sales of "Owned" Securities – If the AF&CO's FTD position results from a sale of a security that a person is deemed to "own," as defined under restrictions on delivery have been removed, then AF&CO is not required to close-out such FTD position until the 35th consecutive calendar day following the trade date for the sale.

What does this means to you, our Client?:

To comply with the rule, AF&Co has adopted a policy to prevent fails and to buy in any FTDs on a timely basis. In order to avoid a potential buy-in in your account, you need to ensure timely delivery of your securities to AF&Co. To the extent that the securities are not delivered to AF&Co under the timeframes set out in Rule 204, AF&Co's regulatory obligations may require it to execute a buy-in against your account.

Clients may sustain a loss in connection with any buy-ins required to cover a FTD for your account. You will be held responsible for any costs and/or losses that AF&Co may incur in connection with executing any buy-ins to close out open FTD positions or carrying costs to borrow security until FTD is cleaned up. AF&Co will 'buy-in' the securities at the market, not later than the open of trading, to satisfy its delivery obligation and will pass the buy-in price, which will be based on then current market conditions, to the client. This price may be greater than the price at which the client sold the shares.

If AF&CO fails to comply with this close-out requirement, then AF&Co is penalized in that it must not affect short selling in that security for itself or by any of its clients unless it has obtained a guarantee from a lender known as a "pre-borrow" until the fail to deliver position is closed out. Until then, the security will be placed on a restricted list and any short sale orders in such security will be rejected. This penalty condition could persist for several days until the fail is satisfied.

If AF&CO can identify the broker dealer that contributed the fail to deliver position, the Firm may allocate the close-out obligation to that Introducing Broker for whom it clears subjecting that specific broker-dealer to the requirements of Rule 204(b) until the fail to deliver position has been closed out.

What should you do as a Client?

Clients are urged to contact their custodian, clearing agent or prime broker to become familiar with their processes and demand that the custodian or prime broker make prompt delivery to AF&Co to comply with the SEC requirements. Clients who settle their transactions in a timely manner will avoid any possibility of a buy-in or other limitations being imposed.

Please feel free to contact your Albert Fried & Company, LLC Account Executive with any questions you may have regarding this notice and our policies on Reg-SHO SEC Rule 204T- Long and Short Sale Buy-In Obligations on Fail to Delivers ("FTD").

For more information, the final rule is available at <http://www.sec.gov/rules/final/2009/34-60388.pdf>

We appreciate your business.

-ALBERT FRIED & COMPANY, LLC