

Investments

Sometimes investments in the stock market or with mutual funds go sour. The market is volatile and not every bad result will be anyone's fault. However, sometimes brokers or others fail to treat consumers fairly or fail to take their specific situation into account.

BROKERS HAVE DUTIES TO INFORM CLIENTS OF TRANSACTION AND INVESTMENT RISK. IF THEY ARE DISLOYAL AND BETRAY THAT TRUST AND CONFIDENCE, THEY CAN BE HELD LIABLE.

There are many claims that may be brought by investors against their brokers, brokerage houses, retirement plan sponsors, planners, fund managers, investment advisors. The most common include:

- Failure to execute or follow instructions of the investor
 - Misappropriation of funds
 - Misrepresentations and omissions intentionally or recklessly misleading
 - Negligence—broker fail to exercise duties as prudent broker would act
- Unauthorized trading without investors permission
 - Unsuitability of recommended investment

Warning signs

Suspicious activity on the part of a broker may include:

- Several account statements showing transactions that you did not make
- Unidentifiable debits or credits on monthly statements
- Losing money when the market is up
- Loss of money in the majority of investments recommended by your broker

If you believe your broker has engaged in unlawful behavior, or you have questions concerning transactions made on your behalf, you need to contact the person or company that is the cause of your complaint.

You may be able to resolve your problem more quickly by speaking to them directly rather than making a formal complaint. If your broker or advisor can't resolve your complaint, then talk to a branch manager.

If there still appears to be no resolution, the next step is to write out the complaint formally to that person or firm and ask them to respond within a specific time period.

YOUR WRITTEN COMPLAINT MAY BE THE ONLY WAY TO PROVE THAT YOU COMPLAINED TO THE FIRM ABOUT AN UNAUTHORIZED TRANSACTION.

Act promptly! By law you have a limited time to take legal action. If you believe your broker engaged in unauthorized transactions or other serious frauds, be sure to put your complaint in writing right away and send it to the firm.

If the problem persists and nothing is resolved with the broker or firm, contact one of these offices that oversee the securities industry:

- Michigan Division of Securities
- SEC
- NASD

Do you know how to take legal action on your own?

Both federal and state securities laws provide important legal rights and remedies if you suffered wrongdoing. Acting on your own, you can seek to resolve your complaint through courts, arbitration, or mediation. **YOU MUST** take legal action promptly or you may lose the right to recover funds. Federal securities laws generally require that you bring a court action **WITHIN TWO YEARS** of the date that you should have reasonably discovered the wrongdoing, but in no case later than five years from the date the wrongdoing actually occurred.

Michigan Division of Securities

The purpose of filing a complaint is to alert the Michigan Division of Securities to potential violations of the Michigan Uniform Securities Act.

What they can do:

- Investigate complaints against persons and business entities accused of violating the registration and antifraud provisions of the Michigan Uniform Securities Act
- Make inquires/or conduct an investigation if it appears there is a violation of the law
- They are empowered to bring administrative actions to stop violations
- They can refer matters to the Department of Attorney General for civil actions or criminal prosecution
- May be able to help resolve your complaint or advise of other resources

What they cannot do:

- Give specific legal advise
- Refer to a specific attorney
- Act as a court of law, so they cannot order monies refunded, contracts cancelled, damages awarded, etc.
- They cannot take action in matters involving the internal affairs of a business entity. They only have jurisdiction over the offer, sale or purchase of securities.

To File a Complaint:

- Summarize your complaint using these guidelines, including how you first learned of the investment
- In chronological sequence, list all the events that led to the fraud

- **HOW** you first learned of the investment
- **WHAT** happened, from the beginning to end. Be as specific as possible
- Tell **WHO** was present during conversations or acts.
- Tell **WHEN** and **WHERE** the conversations/acts took place
- Tell **HOW** you know the representations were false or How you know your money was misused

EXAMPLE:

My name is Tom Little. Social Security Number 123-45-6789. I am 62 years old. I have lived at 123 Main St., Somewhere, USA. I am retired living on investment and pension income. I invested \$50,000 into the Reap Great Rewards program through Pete Peddler with the You Can Count On Us brokerage firm over a 6 month period.

Saturday, 8 August, 2004, 7pm: Attended a dinner party of a friend I used to work with, Tim Tiny, who introduced me to Pete Peddler. We discussed possibility of an investment through his Program, Reap Great Rewards. We agreed to meet the next week to talk about details.

Thursday, 11 August, 2004, 6pm: I met with Pete Peddler we went over details, he told me [insert the details of the investment].

Monday, 15 August, 2004, 2pm: I met with Pete Peddler at the office of You Can Count On Us, and we finalized the details and I signed the paperwork. [Continue with the whole story in short sentences only including the FACTS]

Documents you should send with your completed complaint form:

- All photocopies of all documents
 - Contracts, agreements, certificates, notes, trust deeds, correspondence, legible copies of the front and back of checks involved, prospectus, advertising, etc.

Complaint forms are available online or by calling the Office of Financial and Insurance Services. For further information, contact:

Office of Financial and Insurance Services
Division of Securities
P.O. Box 30701
Lansing, MI 48909-8201

(517) 373-0220 or (877) 999-6442

SECURITIES AND EXCHANGE COMMISSION (SEC)

You can file a complaint online, print out a online form at www.sec.gov/complaint.shtml, or write a letter and mail or fax it to:

SEC Complaint Center
450 Fifth Street, NW
Washington, D.C. 20549-0213
Fax: 202-942-9634

The SEC will analyze your complaint and decide whether they need to refer it to the Division of Enforcement which conducts the investigations. The SEC conducts investigations confidentially, and will neither confirm or deny the existence of any investigation.

The SEC will send a copy of the complaint to the brokerage firm and ask them to send a written report to you and to the SEC that responds to the complaint.

The SEC cannot act as judge or arbitrator and force a broker, or brokerage firm, or company to resolve your complaint.

SEC Complaint Center
450 Fifth Street, NW, Washington, D.C. 20549-0213
Fax: 202-942-9634



NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD)

NASD is the world's leading provider of financial regulatory services who oversee and regulate trading in equities, corporate bonds, securities future and options.

NASD is empowered to take disciplinary actions against brokers and their firms. NASD may also refer complaints to the SEC, or other federal or state enforcement agencies.

What they can do:

- Investigating complaints from investors is a significant function of NASD
- NASD conduct rules require brokerage firms to cooperate fully
- NASD has jurisdiction over most brokerage firms and their employees and associated persons.

TAKE NOTE!!

THE FACT THAT YOUR INVESTMENT HAS DECREASED IN VALUE OR THAT YOU MAY HAVE LOST MONEY DOES NOT NECESSARILY MEAN THAT YOUR FIRM OR BROKER HAS ENGAGED IN MISCONDUCT. INVESTMENTS IN MOST SECURITIES

What they cannot do:

- No jurisdiction over investment advisor, transfer agent, mutual fund, or public company (for complaints against these individuals or entities contact the SEC)
- Does not have general subpoena power and cannot compel cooperation of non-industry personnel, such as issuers of securities or their executives

Your complaint should contain the following information

- Name of the brokerage firm and the individuals you dealt with
- Name of security or securities that are subject of the complaint

- Detailed description of events and circumstances (**see above example of summary of complaint**)
- Copies of sales confirmations, monthly statements for the relevant time period, and all relevant correspondence with the firm.

Send your complaint to:

NASD Investor Complaint Center
1735 K Street NW
Washington, DC 20006
FAX: (866) 397-3290

NASD Dispute Resolution Offers Alternatives To Courts

NASD operates the largest securities dispute resolution forum in the world. If you have a brokerage account you probably agreed to use only arbitration to settle all disputes with your broker or firm, even if you did not you can still use arbitration. You generally cannot pursue a claim through arbitration that is more than six years old.

IF YOU USE NASD DISPUTE RESOLUTION, AND YOUR CLAIM IS \$25,000 OR LESS, YOU MAY NOT HAVE TO APPEAR IN PERSON. YOU SHOULD ALWAYS WEIGH THE COSTS OF ARBITRATING AGAINST THE LIKELIHOOD OF BEING ABLE TO COLLECT THROUGH THE COURT, ESPECIALLY IF THE FIRM HAS LEFT THE INDUSTRY OR GONE BANKRUPT.

To obtain information about NASD's arbitration or mediation programs call or write:

NASD Dispute Resolution
One Liberty Plaza
165 Broadway, 27th Floor
New York, NY 10006

Phone: (212) 858-4400
Fax: (212) 858-4429

