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**HEFFLER, RADETICH & SAITTA** LLP  
----- CERTIFIED PUBLIC ACCOUNTANTS -----

August 12, 2010

David Rosenfeld  
Associate Regional Director  
Division of Enforcement  
United States Securities and Exchange Commission  
3 World Financial Center, Suite 400  
New York, New York 10281

Re: Memo on feasibility for a distribution to class members in a case against:  
Bear Wagner Specialists LLC  
Fleet Specialist, Inc  
LaBranche & Co. LLC  
Performance Specialist Group LLC  
SIG Specialists, Inc.  
Spear, Leeds & Kellogg Specialists LLC  
Van der Moolen Specialists USA, LLC

Dear Mr. Rosenfeld:

This letter is in response to our conversation regarding the feasibility of a distribution to the class members in a class action against the seven specialist firms listed above. You have informed me of the class action case and asked me to address the issues that may be encountered in a distribution to a different list of injured investors from those in the SEC matter against the same specialist firms.

As background, our firm was selected as Fund Administrator back in 2004 in the SEC settlement against these seven Specialist firms. In these matters a database file containing 2.66 million records representing \$157.6 million in disgorgement was provided to us by the NYSE [the settlement also included approximately \$89 million in penalties]. The file also contained the Clearing Member number, Clearing Member name, trade date, security symbol, firm mnemonics, branch & sequence codes, turn around code, transaction type, number of shares, time of the trade, the loss amount and the Specialist Firm code. A follow up with the NYSE for additional information [CUSIP number, the principal/agency code and the execution price] resulted in us receiving another database file to replace the first file. This file contained approximately 3.2 million records and these records related to the 2.66 million identified damaged

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1515 Market Street, Suite 1700 • Philadelphia, PA 19102 • 215.665.8870 • Fax 215.665.0613

703-B Birchfield Drive • Mount Laurel, NJ 08054 • 856.727.3322 • Fax 856.273.3738  
www.heffler.com

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transactions. The NYSE representative stated the replacement file had more records than the original file because some transactions were executed as partial transactions and had multiple execution prices. In order to provide all of the additional information they had to show each component of the transaction separately, thus adding additional records to the file.

We believe that the process to distribute funds in a settlement in the class action matter against these seven Specialist firms will encounter many of the same issues that we faced in the distributions from the SEC settlements. I will elaborate on these issues.

Our initial procedure was to contact each Clearing Firm identified from the NYSE data file we received and send them a file containing those transactions associated with their Clearing Member number. We received a number of responses that contained the information requested. However, a number of Clearing Firms contacted us indicating that they did not have the information to identify the underlying investor. They stated that we would need to contact the Nominee Broker/Dealer to obtain this information. The Clearing Firms sent back their response with the contact information for the various Nominees. We then broke up these response files into smaller files that contained the transactions by Nominee. We then contacted the Nominees and requested the same information as requested from the Clearing firms.

We attempted to locate the investors related to the 2.66 million damaged transactions by contacting over 7,000 Nominees [many that were identified as having only one or a couple of transactions] and actually received a response from a couple of thousand Nominees/Broker Dealers as well as the Clearing Firms to identify as many damaged customers as possible. Six distributions have occurred to date with almost 565,000 checks being issued for a total disgorgement and interest amount of \$141,438,690.82. These checks represented payment for over 2,065,000 of the 2.66 million damaged transactions [represent approximately 77% of the total damaged transactions]. Many of the damaged transactions had the full amount of the disgorgement paid but some only had a portion paid as not all of the investors related to the transactions were identified by the nominees. In this case the disgorgement was allocated based on shares between the identified investors and the remaining unidentified investors. Only the portion associated with the identified investor was distributed.

Two of the biggest issues we encountered when attempting to identify the investor associated with the damaged transaction were that a) transactions on the NYSE could be for multiple investors pooled together and b) transactions were only for a portion of the actual shares traded by the investor as the full trade had to be segregated into multiple transactions. We submitted reports to you in the past indicating issues with a number of the Clearing Firms and Nominees. Some chose not to comply with the request, some supplied a partial response but then chose not to provide any further information, some indicated they exhausted their search and could not identify any more customers and there were many that we could not establish contact due to mergers, take-overs and closings. We also received many comments from the broker/dealers we dealt with

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regarding the process to obtain the requested information. Many of them complained about the process stating it was very costly and time consuming. The requests were labor intensive as much of the older records were not maintained on current computer systems. They had to locate older systems and restore the data before they could begin the search for the requested transactions. Some also complained that the data was only maintained on micro-fiche and they had to manually search for the information. They also stated that many of the transactions were bundled in their systems thus there were many cases where it was extremely difficult for the nominee to provide the information requested for a particular transaction. As a result of all these issues we did not receive information for almost 600,000 transactions [over 22% of the 2.66 million transactions].

The next issue is the actual cashing of the checks by the payees. As of June 30, 2010, approximately 195,000 of the 565,000 checks distributed [or approximately 34.5%] are still outstanding representing almost \$38 million as the customers have either not received the check or chosen not to cash it. It has been our experience in settlement administration that checks for a relatively low dollar amount [over 130,000 of the 195,000 outstanding checks are less than \$25 checks] do not always get presented for payment. A number of checks were returned as undeliverable. If a check was returned to us by the postal service we attempted to find a new address for the payee. As part of the plan of distribution we also sent a follow up letter for any outstanding check not returned to us that was \$500 or greater.

Accounting for all of the issues noted, the total funds remaining in the escrow accounts as of June 30, 2010 amount to \$160.2 million [this amount includes the almost \$30 million in interest earned on the funds and the \$38 million in outstanding checks and is net of expenses paid or incurred as of June 30, 2010].

Six years have elapsed since we started this project. We believe the results to identify new damaged investors will be much less favorable due to the additional time that has passed since the damaged transactions originally occurred.

We are available to discuss any of the issues discussed in this letter. Please contact us at your convenience with any questions or comments.

Respectfully submitted,

/s/

Ronald A. Bertino  
Partner