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5TH DISTRICT, NEW JERSEY

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Angela Shaw Kogutt
Stanford Victims Coalition
820 N. MacArthur Blvd.
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Coppell, Texas 75019

Ron Stein, CFP
Network for Investor Action and Protection
PO Box 2159
Halesite, NY 11743

Dear Ms. Kogutt and Mr. Stein:

We write to you to thank you and your respective organizations' extraordinary advocacy efforts to seek relief for the thousands of innocent investors victimized by the Stanford and Madoff investment frauds and improve protections for all investors. We are truly frustrated and disappointed not only in the horrific failures of the system that led to these financial tragedies, but also—perhaps even more so—by the challenges in advancing the remedial legislation in Congress over the six long years since these insolvencies commenced. However, your tireless efforts have been inspirational to us, and we want to make clear our unwavering support and determination to see this legislation through to passage in the next few months.

While the Stanford, Madoff, and McGinn-Smith broker dealer frauds were perpetrated by unscrupulous registered brokerage firms that were members of the Securities Investor Protection Corporation (SIPC), the multiple failures of the regulatory apparatus—from the state and federal government agencies responsible for their oversight to the Self Regulatory Organizations (SROs) overseeing these firms and the industry itself—which allowed these frauds to grow unbridled should give all investors great reason for concern for the safety of their hard-earned savings. What is even more shocking than the multiple and dismal failures that allowed these frauds to burgeon has been the refusal of the remedial entities—particularly SIPC—to carry out their Congressional mandate as intended when the

Securities Investor Protection Act (SIPA) was enacted in 1970. It is unacceptable for SIPC to blatantly refuse to provide the desperately needed and congressionally intended relief to victims who have lost their life savings in large part to oversight failures.

Over the past several years, our offices have heard every conceivable (and inconceivable) rationale from SIPC, the Madoff Trustee, and other entities supporting what has amounted to massive re-victimization of innocent investors. These legally concocted excuses are largely based on statutory terms of art that must be clarified as they are patently contradictory to the SIPA statute as it was enacted. Frankly, we wholeheartedly agree that these perversions of the statutory language are not only illegal, but also dangerous to the vital stability of our financial system. No investor is safe as long as this flagrant misbehavior by SIPC and its appointed trustees are allowed to abuse their undue discretion in order to contort statutory language intended to protect the investor—to the benefit of Wall Street, professional investors, the SIPC fund, and the Trustee's enrichment.

It is also abundantly clear to us that in these current cases, as well as several previous cases, SIPC (and its trustees) has made every effort to obfuscate the intent of a law intended to protect the investor, and systematically misapply the law so as to render a brokerage insolvency analogous to that of a routine bankruptcy. Meanwhile, in creating the SIPA law, Congress expressly intended to provide a special level of protection and certainty for the brokerage investor that goes far beyond what the Bankruptcy Code provides. Yet it is evident that the courts have been used to mutilate the SIPA law and the intent of protecting the small investor for the benefit of the professional investor and other financial interests. That nearly 1000 Madoff investors are being sued to return funds withdrawn from their own accounts to cover basic living expenses while almost 8,000 Stanford investors have been denied their right to a judicial review of their individual claims underscores the depth of SIPC's abuse of its discretion and the perversion of a law designed to protect—not further maim—innocent investors.

Let us be clear, we intend to press forward with the "Restoring Main Street Investor Protection and Confidence Act," which we believe will pass with strong bipartisan support. We will also work closely with members in the Senate to ensure passage in that body as well. As you know, we have the support of nearly 60 House members, including members in important leadership roles, and combined with our strong bipartisan support in the Senate, we feel our prospects for success are strong in 2015. Please know that we are committed to doing all that we can to help make passage of this legislation a reality.

Again, we extend our gratitude to each of you for your leadership and for your organizations' seemingly tireless efforts on behalf of fellow victims and in the interests of all investors. We know you have each sacrificed so much and experienced tremendous frustration over the past several years, but we ask that you continue to help us in support of this critical effort. We look forward to our continued partnership on this most important goal, and truly believe that if we continue to work together, our efforts will finally be rewarded.

Sincerely,

Scott Garrett
Scott Garrett
Member of Congress

Carolyn B Maloney
Carolyn Maloney
Member of Congress