

DISCLOSURE STATEMENT-FACTS ABOUT YOUR BORROWING COSTS AND OTHER MATTERS

- 1. INTEREST POLICY:** Your account will be charged on any credit extended to or maintained for you by our Clearing Agent. The annual rate of interest will vary in relation to the size of your daily net debit balance and the prime rate in effect from time to time. The term "prime rate" means the current prime rate as correctly published in the Pacific Edition of the Wall Street Journal. The actual interest rate charged will not exceed the maximum rate of 2.5% above the prime rate. Since the actual rates of interest charged are related to the prime rate, any changes in the prime rate may result in corresponding changes without notice in the actual rates charged. There may be an administrative fee charged to you, in the form of an interest rate increase of not more than two percent which will be determined by us and paid directly to us by the Clearing Agent. Please call your broker for the actual rates currently in effect.
- 2. METHOD OF COMPUTING INTEREST:** Your account will be charged interest using a 365 day per year factor on the daily net debit balance in your combined account types. Each day your settled money balances in each account type will be combined in determining your daily net debit balance. A daily net debit balance results whenever the total of combined debit balances exceeds the total of combined free credit balances. For purposes of this calculation, free credit balances exclude credit balances in short accounts, and the sales proceeds included in settled balances from transactions in cash accounts involving non-negotiable long positions, technical short positions and uncovered option positions. Short account credit balances are disregarded because the securities sold by you are not available for delivery and collection of the sales proceeds resulting from short sales. Sales proceeds included in settled balances from the other described sales transactions in cash accounts are disregarded because such credit items are not available to our Clearing Agent, until the related securities sold are rendered deliverable. Although the interest charge is calculated daily, it is generally posted once a month and compounded monthly. Interest charges are summarized on your monthly account statement. The summary uses a weighted average of the daily net debit balance (weighted average balance) and an imputed average interest rate for the period shown. The summary is determined by dividing the total amount of the interest charge (calculated on a daily basis using the actual daily net debit balance and the applicable interest rate) by the product of the weighted average balance multiplied by the number of calendar days the account had a daily net debit balance divided by 365 days. A copy of the daily calculation is available upon written request.
- 3. INTEREST CREDIT POLICY:** Your account will be paid interest by our Clearing Agent (unless not permitted by state law) on qualified free credit balances left on deposit for investment or reinvestment purposes only. Unless you advise otherwise, our Clearing Agent will continue to rely on this representation for credit interest. There may be an administrative fee charged to you, in the form of an interest rate decrease of not more than one-half of one percent which will be determined by us and paid directly to us by the Clearing Agent. Monthly interest amounting to under \$6.00 will not be paid. The Clearing Agent's interest participation policy is non-discriminating, uniform and fair. A free credit balance represents funds payable to you upon demand (including checks deposited pending satisfactory clearance) which, although properly accounted for on the books and records, are not segregated and may be used in the conduct of the firm's business, including the financing of customers' securities purchased on margin (subject to the limitations of Section 240.15c3-3 of the Securities Exchange Act of 1934). You have a right to receive, in the course of normal business operations, upon demand, the delivery of: (a) any free credit balance to which you are entitled; (b) any fully paid security to which you are entitled; and (c) any security purchased on margin upon full payment of any indebtedness.
- 4. PREPAYMENTS:** Prepaid amounts (i.e. instances where the proceeds from sales transactions are paid to you prior to each respective settlement date) are recorded as debit entries in your account on the date of each prepayment. Such prepayments are included in the money balances when calculating daily net debit balances.
- 5. LIENS & ADDITIONAL COLLATERAL:** With respect to all your accounts (either individual or joint with others) carried or maintained by our Clearing Agent containing securities, or other property which has been deposited for any purpose, including safekeeping, our Clearing Agent as pledgee has a general lien on all such property for the discharge of all your obligations to the Clearing Agent, regardless of origin or the number of accounts you may have with such Clearing Agent. The Clearing Agent may require you to deposit additional collateral in accordance with the rules and regulations of various governmental and self-regulatory organizations having jurisdiction over the Clearing Agent. The Clearing Agent also may (but shall have no obligation to) require you to deposit additional collateral as the Clearing Agent, in its sole discretion, determines is needed as additional security for your obligations.
- 6. MARKING-TO-THE-MARKET:** All short positions in your short account will be "marked to the market", which means that the money balance maintained in the short account will be adjusted from time to time to reflect any changes in the market value of the short securities. The opposite side of such adjustments will be reflected in your margin account balance, thus increasing or decreasing the money balance in the margin account, which is the amount used in computing your interest charge. For example, if you are short 1000 shares of XYZ against a credit balance in your short account of \$50,000, and XYZ falls to \$40 per share, the credit balance in your short account will be reduced by \$10,000 and a corresponding \$10,000 credit adjustment will be made in your margin account, thereby decreasing the amount subject to interest by \$10,000.
- 7. DIVIDEND AND INTEREST PAYMENTS:** When you select the payment option, dividends and interest (including other similar distributions) generally will be distributed to you on a monthly basis.
- 8. CLEARING AGENT'S PRIVACY POLICY:** The Clearing Agent collects "nonpublic personal information" from us. This information may be used by them in order to provide the services outlined in the "Letter of Understanding" you signed upon establishing your account with us. On our behalf, they may also submit and collect nonpublic and public information about you to or from consumer and industry reporting agencies. This information may relate to transactions and other activities with us or with others. The Clearing Agent may disclose any information when they believe it necessary to conduct their business, or where disclosure is required by law. The Clearing Agent will not sell any information about you. The Clearing Agent maintains physical and electronic safeguards to protect your nonpublic and public personal information in its possession.
- 9. THIS AGREEMENT CONTAINS A PREDISPUTE ARBITRATION CLAUSE. BY SIGNING AN ARBITRATION AGREEMENT THE PARTIES AGREE AS FOLLOWS:**
 - (A) ALL PARTIES TO THIS AGREEMENT ARE GIVING UP THE RIGHT TO SUE EACH OTHER IN COURT, INCLUDING THE RIGHT TO A TRIAL BY JURY, EXCEPT AS PROVIDED BY THE RULES OF THE ARBITRATION FORUM IN WHICH A CLAIM IS FILED.
 - (B) ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED.
 - (C) THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS.
 - (D) THE ARBITRATORS DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD.
 - (E) THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.
 - (F) THE RULES OF SOME ARBITRATION FORUMS MAY IMPOSE TIME LIMITS FOR BRINGING A CLAIM IN ARBITRATION. IN SOME CASES, A CLAIM THAT IS INELIGIBLE FOR ARBITRATION MAY BE BROUGHT IN COURT.
 - (G) THE RULES OF THE ARBITRATION FORUM IN WHICH THE CLAIM IS FILED, AND ANY AMENDMENTS THERETO, SHALL BE INCORPORATED INTO THIS AGREEMENT.

BY SIGNING THE "ACCOUNT AGREEMENT, TAXPAYER CERTIFICATION AND BENEFICIAL OWNERSHIP ELECTION" FORM (THE "AGREEMENT") YOU AGREE, AND BY ESTABLISHING AN ACCOUNT FOR YOU, WE AND OUR CLEARING FIRM AGREE THAT ALL CONTROVERSIES WHICH MAY ARISE BETWEEN YOU AND OUR FIRM AND/OR OUR CLEARING AGENT (OR ANY OF OUR/ THEIR OFFICERS, EMPLOYEES OR AGENTS OR ASSIGNEES) CONCERNING ANY TRANSACTION OR THE CONSTRUCTION, PERFORMANCE OR BREACH OF THIS OR ANY OTHER AGREEMENT BETWEEN YOU AND OUR FIRM AND/OR OUR CLEARING AGENT, SHALL BE DETERMINED BY ARBITRATION IN ACCORDANCE WITH THE RULES, THEN IN EFFECT, OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, THE NEW YORK STOCK EXCHANGE OR ANY OTHER EXCHANGE OR FORUM OF WHICH OUR FIRM AND/OR OUR CLEARING AGENT IS A MEMBER, AS YOU MAY ELECT. IF YOU DO NOT MAKE SUCH ELECTION BY REGISTERED MAIL SENT TO OUR FIRM AT ITS MAIN OFFICE WITHIN TEN (10) DAYS AFTER THE RECEIPT OF NOTIFICATION FROM OUR FIRM AND/OR OUR CLEARING AGENT REQUESTING SUCH AN ELECTION, THEN YOU AUTHORIZE US TO MAKE SUCH ELECTION ON YOUR BEHALF.

FURTHERMORE, YOU AGREE AND ACKNOWLEDGE, AND OUR FIRM AND OUR CLEARING AGENT AGREE AND ACKNOWLEDGE THAT NO PERSON SHALL BRING A PUTATIVE OR CERTIFIED CLASS ACTION TO ARBITRATION, NOR SEEK TO ENFORCE ANY PREDISPUTE ARBITRATION AGREEMENT AGAINST ANY PERSON WHO HAS INITIATED IN COURT A PUTATIVE CLASS ACTION; OR WHO IS A MEMBER OF A PUTATIVE CLASS ACTION WHO HAS NOT OPTED OUT OF THE CLASS WITH RESPECT TO ANY CLAIMS ENCOMPASSED BY THE PUTATIVE CLASS ACTION UNTIL: (I) THE CLASS CERTIFICATION IS DENIED; OR (II) THE CLASS IS DECERTIFIED; OR (III) THE CUSTOMER IS EXCLUDED FROM THE CLASS BY THE COURT. SUCH FORBEARANCE TO ENFORCE AN AGREEMENT TO ARBITRATE SHALL NOT CONSTITUTE A WAIVER OF ANY RIGHTS UNDER THIS AGREEMENT EXCEPT TO THE EXTENT STATED HEREIN. 0504C Disclosure Statement