

## MARGIN DISCLOSURE TO OUR CLIENTS

Wedbush Morgan Securities (WMS) is a registered broker-dealer and a member of the New York Stock Exchange (“NYSE”); consequently, WMS must adhere to NYSE margin rules and rules promulgated by the Securities & Exchange Commission (“SEC”). Margin represents the equity in your accounts. Account equity generally is the difference between the current market value of the securities in your account less the amount you owe. While it is not our practice to change our minimum margin requirements without prior notice, WMS can, at any given time and without advanced warning, increase the amount of equity a margin account must maintain.

The minimum equity requirements vary depending on different factors, such as liquidity and price stability of the collateral. If the equity in an account falls or is falling, WMS generally will issue a margin call for additional funds or collateral. In the event that you receive a margin call and are unable to meet it within the required timeframe, WMS will decide whether an extension of time can be granted. Failure to satisfy a demand for additional margin could result in the involuntary liquidation of collateral held in your account. The consequences of a forced liquidation may be a loss greater than the initial deposit you made into your margin account. In addition, if a liquidation doesn’t provide the funds necessary to meet the firm maintenance margin requirement, you must meet the deficiency. If your account holdings include SEC Rule 144 restricted or affiliate securities, such securities can be sold by WMS under the provisions of SEC Rule 144 and related SEC interpretations governing our rights as pledgee in the event of default.

Accordingly, we want to take this opportunity to help you better understand the liquidation provision of the Margin Agreement. This provision covers the liquidation rights WMS has over all assets held in your account as collateral for amounts due WMS for loans, short positions, losses, or other charges in your account.

Generally before liquidating assets held as collateral, it is our practice (but not our obligation) to attempt to give prior notification whenever additional funds are required in order to protect the loans or other amounts due us. However, prior notification is not always a viable option because of adverse conditions in the market. Consequently, we might take action to sell positions (or buy in short positions) in your accounts without any prior notification to you, or we might elect not to sell or buy in positions to avoid aggravating an unfavorable market situation. Frequently, concentrated positions or positions causing the margin call could be sold before the liquidation of other securities held in your accounts. WMS chooses which securities that serve as collateral for a margin account will be liquidated.

Please be aware that your margin agreement gives WMS unlimited discretion to take action to protect itself against losses. Involuntary liquidation of assets is a significant risk factor which you should seriously reconsider and reevaluate from time to time, because it might result in material losses to you or other unforeseen negative consequences. We suggest you monitor your accounts frequently and be alert to prevailing market conditions, especially respecting concentrated positions, so that you can take preventive action in avoiding involuntary liquidations.

While it is not our intention to discourage you from using margin for buying and selling securities or for borrowing to satisfy your other business and personal needs, we believe that it is in your self-interest to focus on the market risks associated with all margin loans in order for you to make an informed decision.