



Margin Disclosure

IT IS IMPORTANT THAT YOU READ AND UNDERSTAND THIS INFORMATION BEFORE OPENING AND TRADING IN A MARGIN ACCOUNT.

Boston Merchant Financial Services (hereinafter collectively referred to as “BMFS”) is furnishing this information to you to provide some basis facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before trading stocks in a margin account, you should carefully review the margin agreement provided by BMFS and its Clearing Firm, Southwest Securities (“SWS”). Consult BMFS with any questions or concerns you have about your Margin Accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from the Clearing Firm of BFMS. If you choose to borrow funds from our Clearing Firm, BFMS will open a Margin Account for you with the Clearing Firm. The securities purchased are the Clearing Firm’s collateral supporting your loan. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result the Clearing Firm can take action, such as issue a margin call/or sell securities or other assets, with out notice, in any of your account(s) in order to maintain the required equity in your account(s).

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- You can lose more funds than you deposit in your margin account. A decline in value of the securities you purchase on margin may require you to provide additional funds to avoid the forced sale of those securities or other securities or assets in your account(s).
- BMFS/SWS can force a sale of securities or other assets in your account(s) if the equity in your account falls below our house maintenance requirements, we can sell the securities or other assets in your account(s) to cover the margin deficiency. You will be held responsible for any short fall in the account after such sale.
- BMFS/SWS can force a sale of securities or other assets without contacting you. Some investors mistakenly believe that they must be contacted for a margin call to be valid, and that securities and other assets cannot be liquidated in their accounts to meet the call unless they are contacted first. While as a matter of customer service, we will attempt to notify our customers of margin calls, but are not required

to do so. However, if contact is made and you provide a certain date in which you can meet the a margin call. We can still take the necessary steps to protect our financial interests, including immediately selling the securities or other assets without notice to you.

- You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call. Because the securities and other assets are collateral for the margin loan we have the right to decide which to sell in order to protect our interest.
- BMFS/SWS can increase our “house” maintenance margin requirements at any time and are not required to provide you with advanced notice. These changes often take place immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause us to liquidate or sell securities or other assets in your account(s).
- You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have the right to the extension.

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