

FORM DS

DISCLOSURE STATEMENT-FACTS ABOUT YOUR BORROWING COSTS

In addition to the terms and conditions of the Client Account Agreement (Form CAA), the following terms apply to all client accounts.

1. INTEREST POLICY: Your account will be charged on any credit extended to or maintained for you by us. 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% above the prime rate. Since the actual rates of interest charged are related to the prime rate, any changes in the prime rate will result in corresponding changes without notice in the actual rates charged. Please call your Investment Executive 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 to us 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 us 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. CREDIT INTEREST: Your account will be paid interest (unless not permitted by state law) on qualified free credit balances left on deposit with us for investment or reinvestment purposes only. Unless you advise us otherwise, we will continue to rely on this representation for credit interest. Monthly interest amounting to under \$2.50 will not be paid. A free credit balance represents funds payable to you, which, although properly accounted for on our 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 240.15c-3 of the Securities Exchange Act of 1934). You have a right to receive from us 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 to us.

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 us containing securities, commodities, or other property which has been deposited with us for any purpose, including safekeeping, we as pledgee have a general lien on all such property for the discharge of all your obligations to us regardless of origin or the number of accounts you may have with us. We may require you to deposit additional collateral in accordance with the rules and regulations of various governmental and self-regulatory organizations having jurisdiction over us. Also we may (but shall have no obligation to) require you to deposit additional collateral as we, in our sole discretion, determine is needed as additional security for your obligations. In connection with margin accounts carried or maintained by us, reference is made to the Margin Account Agreement (Form M) and the Margin Disclosure Agreement (Form M-1) below, for additional terms and conditions concerning collateral and related matters.

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.