

## For FirstSouthwest and/or Broker/Dealers for which it clears transactions

Account Title: \_\_\_\_\_

Account Number: \_\_\_\_\_

1. **Applicable Rules and Regulations.** All transactions shall be subject to the constitution, rules, regulations, procedures and customs of the exchange or market and its clearing house, if any, upon which such transactions are executed, except as otherwise specifically provided in this Agreement.
2. **Definitions.** "FSC" refers to First Southwest Company. "You" or "Your" refers to each person who signs an account application with FSC. "Introducing Broker" means any brokerage firm that introduces securities transactions on your behalf, which transactions are cleared through FSC, whether one or more. "Obligations" means all of your indebtedness, debit balances, liabilities or other obligations of any kind to FSC or FSC's predecessor, whether now existing or hereafter arising. "Securities and other property" shall include, but shall not be limited to, money, securities, commodities or other property of every kind and nature and all contracts and options relating thereto, whether for present or future delivery.
3. **Security Interest.** All securities and other property now or hereafter held, carried or maintained by FSC in or for any of the accounts, now or hereafter opened, including any accounts in which you may have an interest, shall be subject to a first and prior lien and security interest for the discharge of all your obligations to FSC, and are to be held by FSC as security for the payment of your obligations to FSC, to the fullest extent allowed by law. FSC shall have the right to transfer securities and other property so held by FSC from or to any other of your accounts whenever FSC so determines.
4. **Liquidation.** In the event of your death, or in the event the margin in any account in which you have an interest, shall in FSC's discretion become unsatisfactory to FSC, or be deemed insufficient by FSC, FSC is hereby authorized: (a) to sell any or all securities or the property that FSC may hold for you (either individually or jointly with others); (b) to sell any or all securities and other property in your accounts with FSC (either individually or jointly with others); (c) to buy any or all securities and other property that may be short in such accounts; and/or (d) to cancel any open orders and to close any or all outstanding contracts; all without demand for margin or additional margin, notice of sale or purchase, or other notice or advertisement, and that any prior demand or notice shall not be a waiver of your rights provided herein. FSC shall have the discretion to determine which securities and other property are to be sold and which contracts are to be closed. Any such sales or purchases may be made at FSC's discretion on any exchange, the over-the-counter market or any other market where such business is usually transacted, or at public auction or private sale, and FSC may be the purchaser for its own account.
5. **Cancellation.** FSC is authorized, in its discretion, should FSC for any reason whatsoever deem it necessary for its protection, without notice, to cancel any outstanding order, to close out your accounts, in whole or in part, or to close out any commitment made on your behalf.
6. **Payment of Indebtedness Upon Demand.** You shall at all times be liable for the payment upon demand of any of your obligations owed to FSC, and you shall be liable to FSC for any deficiency remaining in any such accounts in the event of the liquidation thereof (as contemplated in Paragraph 4 of this Agreement or otherwise), in whole or in part, by FSC or by you; and you shall make payment of such obligations upon demand.
7. **Liability for Costs of Collection.** The costs and expenses of collection of the debit balance and any unpaid deficiency in your accounts with FSC, including, but not limited to reasonable attorneys' fees and expenses, incurred and payable or paid by FSC shall be payable to FSC by you.
8. **Accounts Carried as Clearing Broker.** You understand that FSC is carrying your accounts as clearing broker by arrangement with your Introducing Broker through whose courtesy, your account has been introduced to FSC. Until receipt from you of written notice to the contrary, FSC may accept and rely upon from such Introducing Broker and its representatives, employees and other agents, without any inquiry or investigation by FSC: (a) orders for the purchase or sale in said account of securities and other property, and (b) any other instructions concerning your accounts. You represent that you understand that FSC acts only to clear trades introduced by your Introducing Broker and to effect other back office functions for your Introducing Broker. You confirm to FSC that you are relying solely on your Introducing Broker for any advice concerning your accounts. You understand that all representatives, employees and other agents with whom you communicate concerning your account are agents of the Introducing Broker, and not FSC's representatives, employees or other agents. You understand that FSC is not a principal of or partner with, and does not control in any way, the Introducing Broker or its representatives, employees or other agents. You understand that FSC will not review your accounts and will have no responsibility for trades made in your accounts. FSC shall not be responsible or liable for any acts or omissions of the Introducing Broker or its representatives, employees or other agents.
9. **Communications.** FSC may send communications to your address or at such other address as you may hereafter give FSC in writing, and all communications so sent, whether by mail, telegraph, messenger or otherwise, shall be deemed given to you personally, whether actually received or not. Reports of execution of orders and statements of your accounts shall be conclusive if not objected to in writing by you, the former within five (5) days and the latter within ten (10) days, after forwarding by FSC to you by mail or otherwise.
10. **ARBITRATION AGREEMENT. THIS AGREEMENT CONTAINS A PRE-DISPUTE 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 UNLESS, IN AN ELIGIBLE CASE, A JOINT REQUEST FOR AN EXPLAINED DECISION HAS BEEN SUBMITTED BY ALL PARTIES TO THE PANEL AT LEAST 20 DAYS PRIOR TO THE FIRST SCHEDULED HEARING DATE.
- 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 IN THIS AGREEMENT.

ANY AND ALL CONTROVERSIES, DISPUTES OR CLAIMS BETWEEN YOU AND FSC, OR THE INTRODUCING BROKER, AGENTS, REPRESENTATIVES, EMPLOYEES, DIRECTORS, OFFICERS OR CONTROL PERSONS OF FSC OR THE INTRODUCING BROKER, ARISING OUT OF, IN CONNECTION WITH, FROM OR WITH RESPECT TO (a) ANY PROVISIONS OF OR THE VALIDITY OF THIS CUSTOMER MARGIN AND SHORT AGREEMENT OR ANY RELATED AGREEMENTS, (b) THE RELATIONSHIP OF THE PARTIES HERETO, OR (c) ANY CONTROVERSY ARISING OUT OF FSC'S BUSINESS, THE INTRODUCING BROKER'S BUSINESS OR YOUR ACCOUNTS, SHALL BE CONDUCTED PURSUANT TO THE CODE OF ARBITRATION PROCEDURE OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY. ARBITRATIONS MUST BE COMMENCED BY SERVICE OF A WRITTEN DEMAND FOR ARBITRATION OR A WRITTEN NOTICE OF INTENTION TO ARBITRATE. IF FSC IS A PARTY TO SUCH ARBITRATION, TO THE EXTENT PERMITTED BY THE RULES OF THE APPLICABLE ARBITRATION TRIBUNAL, THE ARBITRATION HEARING SHALL BE CONDUCTED IN DALLAS, TEXAS. THE DECISION AND AWARD OF THE ARBITRATOR(S) SHALL BE CONCLUSIVE AND BINDING UPON ALL PARTIES, AND ANY JUDGMENT UPON ANY AWARD RENDERED MAY BE ENTERED IN A COURT HAVING JURISDICTION THEREOF, AND NEITHER PARTY SHALL OPPOSE SUCH ENTRY.

NO PERSON SHALL BRING A PUTATIVE OR CERTIFIED CLASS ACTION TO ARBITRATION, NOR SEEK TO ENFORCE ANY PRE-DISPUTE ARBITRATION AGREEMENT AGAINST ANY PERSON WHO HAS INITIATED IN COURT A PUTATIVE CLASS ACTION, OR WHO IS A MEMBER OF A PUTATIVE CLASS 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) YOU ARE 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 CUSTOMER MARGIN AND SHORT AGREEMENT EXCEPT TO THE EXTENT STATED HEREIN.

ALL ARBITRATION PROCEEDINGS SHALL BE CONDUCTED IN THE ENGLISH LANGUAGE, UNLESS OTHERWISE AGREED BY THE PARTIES BY WRITTEN STIPULATION ENTERED INTO IN THE COURSE OF SUCH ARBITRATION PROCEEDING.

IF YOU ARE NOT RESIDING IN THE UNITED STATES AT THE TIME OF ANY CONTROVERSY BETWEEN YOU AND FSC AND/OR THE INTRODUCING BROKER SUBJECT TO THIS ARBITRATION AGREEMENT, YOU AGREE TO THE PROVISIONS SET FORTH ABOVE AND THE FOLLOWING ADDITIONAL PROVISIONS: (I) THE RULES OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY SPECIFICALLY PROVIDES FOR THE DESIGNATION OF THE PLACE WHERE THE ARBITRATION IS TO BE HELD; AND (II) YOU SUBMIT TO THE PERSONAL JURISDICTION OF THE STATE OF TEXAS AND AGREE THAT THE COURTS OF SUCH STATE SHALL HAVE AUTHORITY AND JURISDICTION TO INTERPRET AND ENFORCE THESE ARBITRATION PROVISIONS AS SET FORTH IN THIS CUSTOMER MARGIN AND SHORT AGREEMENT.

To the extent allowed by law, all applicable statutes of limitation and defenses based upon the passage of time related to any civil action or claim shall be tolled while the arbitration procedures specified in this section are pending. You agree to take any actions necessary to effectuate such tolling. You further agree that, to the extent allowed by law, any obligations owed to FSC that arise in connection with your account(s) are collectable from marital community property estate assets.

11. **Hypothecation.** Within the limitations imposed by applicable laws, rules and regulations, all securities now or hereafter held by FSC, or carried by FSC in any of your accounts (either individually or jointly with others), or deposited to secure same, may from time to time, without any notice, be carried in FSC's general loans and may be pledged, repledged, hypothecated or rehypothecated, separately or in common with other securities for the sum due to FSC thereon or for a greater sum and without retaining in FSC's possession or control for delivery a like amount of similar securities. It is understood, however, that FSC agrees to deliver to you upon demand and upon payment of the full amount due thereon, all securities in such accounts, but without obligation to deliver the same certificates or securities deposited by you originally. Any securities in your margin or short account may be borrowed by FSC, or lent to others. In certain circumstances, such loans may limit, in whole or in part, your ability to exercise voting or other attendant rights of ownership with respect to the loaned or pledged securities.
12. **Interest.** Debit balances in all of your accounts shall be charged with interest in accordance with FSC's established custom, as disclosed to you in the Customer Information Brochure pursuant to the provisions of Rule 10b-16 of the Securities Exchange Act of 1934, as amended.
13. **Margin.** You agree to maintain in all accounts with FSC such positions and margins as required by all applicable statutes, rules, regulations, procedures and custom, or as FSC deems necessary or advisable. You agree to promptly satisfy all margin and maintenance calls.
14. **Sales.** You agree to specifically designate any order to sell a security that you do not own as a short sale, and understand that FSC will mark such order as a short sale. You agree that any order that is not specifically designated as a short sale is a sale of securities owned by you, and that you will deliver the securities on or before the settlement date, if not already in the account. If you should fail to make such delivery in the time required, FSC is authorized to borrow such securities as necessary to make delivery for your sale, and you agree to be responsible for any loss FSC may thereby sustain, or that FSC may sustain as a result of FSC's inability to borrow such securities.

15. **Representations.** You represent that you are of full age, that you are not an employee of any exchange, or of any corporation of which any exchange owns a majority of the capital stock, or of a member of any exchange, or of a member firm or member corporation registered on any exchange or of a bank, trust company, insurance company or of any corporation, firm or individual engaged in the business of dealing either as broker or as principal in securities, bills of exchange, acceptances or other forms of commercial paper. If you are a corporation, partnership, trust or other entity, you represent that its governing instruments permit this Agreement, that this Agreement has been authorized by all applicable persons and that you are authorized to bind the corporation, partnership, trust or other entity. You represent that you shall comply with all applicable laws, rules and regulations in connection with your account. You further represent that no one except you has an interest in your account or accounts with FSC.
16. **Joint Accounts.** If you shall consist of more than one person, your obligations under this Agreement shall be joint and several. References to the “you” shall include each of you. FSC may rely on transfer or other instructions of any one of you in a joint account, and such instructions shall be binding on each of you. FSC may deliver securities or other property to, and send confirmations, notices, statements and communications of every kind, to any one of you and such action shall be binding on each of you.
17. **Other Agreements.** If you trade on margin or in short accounts, you agree to be bound by the terms of this Customer Margin and Short Agreement. If you trade any options, you agree to be bound by the terms of FSC’s Customer Options Agreement. If this is a joint account, you agree to be bound by FSC’s Joint Account Agreement. You understand that copies of these agreements are available from FSC and, to the extent applicable, are incorporated by reference herein. The terms of these other agreements are in addition to the provisions of this Agreement and any other written agreements between FSC and you.
18. **Miscellaneous.** If any provision of this Agreement is held to be unenforceable, it shall not affect any other provision of this Agreement. The headings of each section of this Agreement are descriptive only and do not modify or qualify any provision of this Agreement. This Agreement and its enforcement shall be governed by the laws of the State of Texas and shall cover individually and collectively all accounts that you have previously opened, now have open or may open or reopen with FSC, FSC’s predecessor or any Introducing Broker, and any and all previous, current and future transactions in such accounts. Except as provided in this Agreement, no provision of this Agreement may be altered, modified or amended unless in writing signed by an FSC authorized representative. This Agreement and all provisions shall inure to the benefit of FSC and FSC’s successors, whether by merger, consolidation or otherwise, FSC’s assigns, your Introducing Broker, and all other persons specified in paragraph 10. FSC shall not be liable for losses caused directly or indirectly by any events beyond FSC’s reasonable control, including without limitation, government restrictions, exchange or market rulings, suspension of trading, unusually heavy trading in securities, a general change in economic, political or financial conditions, war or strikes. FSC may transfer your accounts to FSC’s successors and assigns. This agreement shall be binding upon your heirs, executors, administrators, successors and assigns.

YOU ACKNOWLEDGE THAT YOUR MARGIN ACCOUNT SECURITIES MAY BE BORROWED BY FSC OR LOANED TO OTHERS. BY SIGNING BELOW, YOU AGREE TO ALL TERMS OF THIS CUSTOMER MARGIN AND SHORT AGREEMENT. YOU ACKNOWLEDGE RECEIPT OF A COPY OF THIS CUSTOMER MARGIN AND SHORT AGREEMENT AND THE MARGIN DISCLOSURE STATEMENT ATTACHED HERETO. YOU UNDERSTAND YOU CAN REVIEW A COPY OF THIS CUSTOMER MARGIN AND SHORT AGREEMENT AND THE MARGIN DISCLOSURE STATEMENT AT ANY TIME BY ACCESSING WWW.FIRSTSWCLEARING.COM. YOU CERTIFY THAT YOU HAVE READ, UNDERSTAND AND AGREE WITH ALL PROVISIONS OF THIS CUSTOMER MARGIN AND SHORT AGREEMENT. THIS CUSTOMER MARGIN AND SHORT AGREEMENT BENEFITS FIRST SOUTHWEST COMPANY, INTRODUCING BROKERS FOR WHICH IT CLEARS TRANSACTIONS AND PERSONS RELATED TO EACH OF THE FOREGOING. WITHIN THIS CUSTOMER MARGIN AND SHORT AGREEMENT, PAGE 1, PARAGRAPH 10 CONTAINS A PRE-DISPUTE ARBITRATION CLAUSE.

For use by individuals, including joint accounts: For use by entity accounts only (i.e., Corporations, Partnerships, Trusts):

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Applicant (Name of Account)

\_\_\_\_\_  
Print Name

By: \_\_\_\_\_  
Signature of Authorized Party

\_\_\_\_\_  
Signature (Second Party, if Joint Account)

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title (i.e., President, Trustee, Partner)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**For FirstSouthwest and/or Broker/Dealers for which it clears transactions**

This document is being provided to you to give you some basic 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 your Customer Margin and Short Agreement. Consult your broker regarding any questions or concerns you may have with your margin account(s).

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price. If you choose to borrow funds, you will open a margin account. The securities purchased serve as collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, either the clearing firm or the introducing broker can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include, but are not limited to, the following:

1. **You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased 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).
2. **The clearing firm or the introducing broker can force the sale of securities or other assets in your account(s).** If the equity in your account falls below the maintenance margin requirements or higher "house" requirements, the clearing firm or the introducing broker can sell the securities or other assets in any of your account(s) to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.
3. **The clearing firm or the introducing broker can sell your securities or other assets without contacting you.** Some investors mistakenly believe that a clearing firm or an introducing broker must contact them for a margin call to be valid and that securities or other assets held in their accounts cannot be liquidated to meet the call unless the investor has been contacted first. **This is not the case.** Most firms will attempt to notify the customer of a current margin call but are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without prior notice to the customer.
4. **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 are collateral for the margin loan, the clearing firm or the introducing broker has the right to decide which security to sell in order to protect its interests.
5. **The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice.** These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the liquidation or sellout of securities in your account(s).
6. **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 a right to the extension.

