



CUSTOMER AGREEMENT

Contractual Relationships and General Information

AB. Watley Direct, Inc. (hereinafter "ABW"), a Member of the National Association of Securities Dealers (NASD), is your broker-dealer. This agreement shall govern your relationship with ABW and its agents, employees and assigns.

ABW has entered into a contract with two clearing brokers ("clearing broker"), in this case, Penson Financial Services, Inc. (hereinafter "PFS" or "clearing broker"), Sterne Agee Leach Inc., (hereinafter "SAL" or "clearing broker"), as NASD Members. PFS/SAL role as ABW's clearing broker is limited to providing administrative and clearing services for your account such as custodial functions and settlement of trades. In special situations, PFS/SAL may act as the executing broker for trades executed on ABW's behalf for your account. You have no contractual, agency or fiduciary broker-dealer relationship of any kind or nature with PFS/SAL. PFS/SAL performs no supervision over ABW, its business or in the supervision of any account including yours, or in the handling of any matters covered hereunder.

ABW is your agent and will be fully responsible for all activities in connection with your account. The entry for orders and any instructions regarding the deposit or withdrawal of securities or money must be made by ABW. Kindly direct any questions or claims relative to your account to ABW. Notwithstanding anything to the contrary, for purposes of the Securities Investment Protection Act of 1970 and the financial responsibility rules of the Securities and Exchange Commission, your accounts are the responsibility of PFS/SAL. For all other purposes, your accounts shall be the full, total and sole responsibility of ABW. PFS/SAL acts solely as agent for ABW and accepts no liability or responsibility for any act or omission of ABW or its employees.

This Agreement between the undersigned (hereinafter "you") and ABW sets forth the terms and conditions that govern any and all accounts opened by you with ABW and shall be relied upon by PFS/SAL in carrying out its agreement with ABW. By executing this Agreement you are acknowledging PFS/SAL's role and its reliance on this Agreement to perform its services with ABW.

The heading of each provision of the Agreement is for descriptive purposes only and shall not be deemed to modify or qualify any of the rights or obligations set forth in each provision.

For the purposes of this Agreement securities, commodities, and other "properties" shall include, but not be limited to, money, securities, financial instruments and commodities of every kind or nature and related contracts and derivatives (whether for present or future delivery), except that the provisions of Sections 12 and 13 (arbitration disclosures and agreement) shall not apply to commodities accounts. This definition includes securities or other property currently or hereafter held, carried or maintained by you or by any of your affiliates, for any purpose, in and for any accounts now or hereafter opened, including any account in which you may have an interest.

All transactions through ABW are subject to the constitution, rules, regulations, customs and usages of the exchange, market or clearing firm where executed, as well as to any applicable laws, rules and regulations of any regulatory or self-regulatory agency or body, or federal or state government.

This Agreement shall be governed by the laws of the state of New York.

I. Nature of Services Provided

All decisions relating to your investment or trading activity shall be made by you or your duly authorized representative. You understand that neither ABW nor its clearing broker makes or provides any tax, legal, or investment advice nor does ABW give advice or offer any opinion with respect to the suitability of any security or order. You further understand that neither ABW nor its clearing broker assume any responsibility for any recommendations that may be made to you. You also understand that while you may be able to access investment research tools and reports through computerized on-line services hypertext-

linked to the ABW on-line service, the availability of such information does not constitute a recommendation to buy, sell, or otherwise trade all or any of the securities discussed therein. In the event that you need advice concerning any decisions related to your account you agree to consult a professional and not hold ABW, its clearing broker and/or any of their respective officers, employees, agents or affiliates liable for any investment decision you have made on your own behalf. You are aware that ABW, its clearing broker and any of their respective officers, employees, agents or affiliates do not give advice or offer any opinion with respect to the suitability of any security or order.

You authorize ABW and its clearing broker to make inquiries for the purpose of verifying your creditworthiness and the creditworthiness of your spouse or any other joint account holder. Such inquiries may include verifying information you have provided on your account application, contacting your employer, and obtaining credit reports and other references. Upon written request, ABW and its clearing broker will state the name and address of the consumer reporting agency used for credit verification purposes.

You agree to notify ABW and its clearing broker in writing if there are any changes in the facts set forth in the account information of your New Account Application. In addition, you have notified and agree to notify ABW if any account holders are or become employed by any exchange, member firm or member corporation registered on any exchange, bank trust company, insurance company or by any corporation, firm or individual engaged in the business of dealing, either as broker-dealers or as principal, in securities, bills of exchange, acceptances or other forms of commercial paper.

You understand and agree that for our mutual protection, ABW may electronically record your telephone conversations conducted with ABW.

2. On-Line

You agree to use the ABW on-line only in accordance with this Agreement and any additional services offered through the Service in the future will be used only in accordance with this Agreement. You shall be the only authorized user of the Service under this Agreement.

You are the sole and exclusive owner of your user name and trading password and you shall be responsible for the confidentiality and use of your user name and trading password. You understand and agree that you shall be solely responsible for all orders entered through the Service using your user name and trading password.

You further understand and agree that as a condition of using the Service to place orders or send information, you shall immediately notify ABW in writing, within five (5) business days of any of the following occurrences, if

- a.) An order has been placed through the Service and you have not received an order reference number.
- b.) An order has been placed through the Service and you have not received an accurate written trade acknowledgment of the order or of its execution.
- c.) You have received a trade acknowledgment or confirmation of an order which you did not place or any similar conflicting report.
- d.) You have knowledge there is a discrepancy in your account balance or stock positions.
- e.) You have knowledge of facts which would cause a reasonable person to believe that there has been unauthorized use of your user name or trading password.

If you fail to notify ABW in writing within five (5) business days of the occurrence of any of the above conditions, neither ABW, nor any of its subsidiaries, affiliates or agents can have any responsibility or liability to you or

any other person whose claim may arise through you for any claims with respect to the handling, mishandling, or loss of an order You understand that ABW shall not be deemed to have received any order electronically transmitted by you until you have received an order reference number

If in the event you notify ABW in writing within five (5) business days of the occurrence of any of items a) through e.) as described above, then ABW's liability shall be limited to the lesser of (i) the value of the securities in question at the time the order was originally placed or (ii) the actual loss incurred due to the occurrence of any of items a) through e.) as outlined above.

You understand that the Service may be provided in accordance with third party gateway(s) AND DATA PROVIDERS whose usage terms ABW has agreed to, and those terms shall apply to this Agreement and are incorporated herein by reference, including without limitation, availability of the service, limitations of liability and restrictions on the use of the information provided. You understand and agree that ABW (and its affiliates) shall under no circumstances be liable to you or any third party for any lost profits or lost opportunities, or for any indirect, consequential, incidental, special or punitive damages whatsoever if you are inadvertently or otherwise disengaged from the Internet or the A.B. Watley, Inc. Dedicated Port Service or any other connection made to A.B. Watley. You agree to be liable for any and all charges, including but not limited to commissions, data service fees and/or Dedicated Port Service fees, related to your use of the Service. You agree to be liable for any and all charges related to your use of the Service.

You agree not to transfer sub-license, modify, re-sell, redistribute, reproduce, create derivative works from, translate, convert to another programming language, decompile, develop to or disassemble any software or data provided as a part of this service. You also agree not to access this web site and any software or data provided therein via indirect means or any method not intended or agreed upon by ABW. Robot programs (automated query systems) are strictly prohibited and any use of such systems will result in immediate termination of access.

You agree that ABW may unilaterally modify or discontinue the Service and/or amend or modify terms of this Agreement in whole or in part, at any time or from time to time, and without prior notice.

All price and security information on the Service is believed to be reliable. You understand that neither any participating securities exchange nor any supplier of market data guarantees the timeliness, sequence, accuracy, or completeness of market data or any other market information or messages disseminated by any party. As such, market data or any other market information can be provided only on a reasonable efforts basis for the convenience of the user and neither ABW, nor any of its affiliates, agents or subsidiaries, nor any of its information providers, including the exchanges or the various news sources, are, or shall be, liable for any lost profits, lost opportunities, investment decision made or for any indirect, consequential, incidental, special or punitive damages whatsoever as a consequence of using the Service, data, or information provided.

3. Joint Account Holders

If this is a joint account unless you ("joint account holder") notify ABW otherwise and provide such documentation as ABW requires, the brokerage account(s) shall be held by you jointly with rights of survivorship (JTWROS); payable to either tenant or to the survivor You hereby authorize and instruct ABW to accept from any one of you any and all orders upon said account for the purchase or sale of securities, payment of money, or any other action with reference thereto, and authorize and instruct ABW and its clearing broker to deliver from time to time to any one of you securities held to the credit of said account and to make payment from time to time to any one of you moneys held by you to the credit of said account and you consent that trade acknowledgments, notices, statements of account and communications of every kind, with reference to said account may be sent or given by ABW or its clearing broker to any one of you. All statements, notices or other communications sent or given to any one of you by ABW or its clearing broker shall be considered notice to each of you.

You confirm and agree that any time or times that this account is closed, no one of you may unilaterally or individually reopen this account It may be reopened only as a joint account after said account is reopened, it shall be maintained as your joint account on the same terms and conditions and with the same rights, obligations and liabilities for each and all of you, and all agreements applicable at the time this account is closed or as modified or amended by ABW or its clearing broker from the date of the closing of said account shall immediately become the agreements of this reopened account

In the event of the death, divorce, assignment or other transfer of a joint account holder's interest or any other event that causes a change in the ownership of the account all joint account holders or the surviving joint account holders, as the case may be, shall immediately give ABW and its clearing broker sufficient written legal notice thereof, and ABW and its clearing broker may before or after receiving such written legal notice, take such proceedings, require such documents, retain such portion and/or restrict transactions in the account as ABW or its clearing broker may deem necessary or advisable in its sole and absolute discretion. The estate of any of you who shall have died or a departing joint account holder by divorce, assignment or transfer shall be liable, jointly and severally, to ABW and its clearing broker for any debt loss or liability incurred in the account resulting from the completion of transactions in the account or transactions initiated prior to receipt by ABW of sufficient legal documents evidencing death, divorce, assignment or transfer or incurred in the liquidation of the account or in the adjustment of the interests of the respective parties.

In the event of any such change in ownership of the account you authorize ABW and its clearing broker to divide or re-title the account in accordance with: (a) the form of legal ownership of the account as reflected on its records, (b) written instructions of the remaining or surviving joint account holders, or (c) court order as ABW or its clearing broker may reasonably determine is appropriate in the circumstances. All account holders agree to indemnify ABW and its clearing broker against any liability, loss or expense incurred from acting in accordance with this Agreement in the event of a change in ownership of the account

In the event that ABW or its clearing broker receives inconsistent instructions from two or more joint account holders, and ABW or its clearing broker reasonably believes that instructions received from one joint account holder are not mutually agreeable to all joint account holders, or receive a court order with respect to the account ABW and its clearing broker may, but are not obligated to, restrict activity in the account require that all instructions be in writing signed by all joint account holders, suspend or terminate the account and/or file an interpleader action in an appropriate court at the expense of the account holders.

Any taxes or other expenses becoming a lien against or being payable out of the account as a result of the death, divorce, assignment or transfer of any of the joint account holders, or through the exercise by the decedent's estate or representatives of departed joint account holders of any rights or interest in the account shall be chargeable against the interests of the survivor(s), against the interest of the estate or against the departing joint account holders. This provision shall not release the estate or departing joint account holders from any liability provided for elsewhere in this agreement

The foregoing shall bind the undersigned to ABW and its clearing broker and each of their respective successors and assigns by merger consolidation or otherwise.

4. Option Accounts

To open an option account you are required to read and sign an Option Agreement in which you acknowledge your understanding of a) the high risks involved in dealing in options; b) that options are not for everyone, and; c) that there is no certainty of an available secondary market in the option. Before purchasing an option, you agree to familiarize yourself with the business and financial condition of the issuer of the underlying security and to decide whether the option transaction is appropriate in light of your financial situation, investment objectives, and tax considerations. Options may have substantial tax issues connected with their exercise or expiration.

You agree not to purchase an option unless you are able to sustain, without material harm to your total assets, total loss of your investment including the costs of purchasing the option. When you purchase an option, the full cost must be paid by you. An option purchase cannot be margined. You agree that when you purchase an option, "available funds" for the purchase must be in your account. "Available funds" are the total of free credit balances, money market funds, plus any funds from recent security sales, minus any funds needed to pay for outstanding purchases, and minus any open limit orders. Any order inadvertently accepted and/or executed without sufficient funds in the account will be subject to cancellation or liquidation at your sole cost and expense.

Since option contracts are traded for a specified period of time and have no value after the expiration, you agree to advise ABW if you wish to enter offsetting transactions by closing out your position, or to exercise the option prior to the expiration date. You understand and agree that failure to do this may result in the option expiring worthless, even though it might have a monetary value on the expiration date. When you own an option which is about to expire "in the money," ABW or its clearing firm may, in its sole discretion and without notification to you, exercise the option using its best efforts. This is in no way to be construed as an obligation on ABW's or its clearing broker's part to sell or exercise such options on your behalf.

You are aware that ABW and its clearing broker utilize a random method of allocation for all option(s) assignments received from the Options Clearing Corporation.

5. Settlement of Transactions and Accounts

Fully available funds are required to place orders to purchase options or stocks in a non-margin account. For margin accounts, see Section IS titled "Margin Account Agreement" and paragraph (D) within Section IS titled "Disclosure of Credit Terms."

You understand and agree that any order to sell "short" will be designated as such by you, and that ABW will mark the order as "short." All other sell orders will be for securities owned (i.e., long) at the time of the order; and by placing the order; you affirm that you will deliver the securities on or before the settlement date.

Stock transactions are settled on the third business day after the transaction (settlement date). Accordingly, you agree to pay for all securities purchased by 2:00 p.m. Eastern time on the settlement date. Although a written confirmation of the transaction is prepared by ABW and mailed to you as soon as possible after your order is executed, purchases MUST be paid for by 2:00 p.m. Eastern time on the settlement date and you should not wait for the arrival of the confirmation by mail before submitting payment. In the absence of specific demand, all transactions in any of your accounts are to be paid for; securities delivered or required margin deposited, no later than 2:00 p.m. Eastern time on the settlement date.

YOU UNDERSTAND AND AGREE THAT: (i) IN THE EVENT THAT PAYMENT FOR ANY SECURITIES PURCHASE IS EITHER NOT AVAILABLE IN THE ACCOUNT OR NOT RECEIVED BY 2:00 PM EASTERN TIME ON THE SETTLEMENT DATE, SUFFICIENT SECURITIES IN THE ACCOUNT MAY BE AUTOMATICALLY LIQUIDATED TO SETTLE THE TRANSACTIONS OR ACCOUNT; (ii) YOU WILL DELIVER ALL SECURITIES SOLD, IF HELD BY YOU, IN GOOD DELIVERABLE FORM BY SETTLEMENT DATE; (iii) IN THE EVENT THAT SECURITIES SOLD ARE NOT RECEIVED IN GOOD FORM BY 2:00 PM EASTERN TIME ON THE SETTLEMENT DATE, LIKE SECURITIES MAY BE AUTOMATICALLY PURCHASED TO SETTLE THE ACCOUNT; AND (iv) YOU ARE RESPONSIBLE FOR ANY RESULTING LOSSES AND ALL ASSOCIATED COSTS TO SETTLE THE ACCOUNT IN THESE EVENTS.

Separate interest charges at an annual rate of up to 3% above the base rate may be charged to your cash account(s) in connection with: (i) payments to you of the proceeds of a security sale before the regular settlement date (these prepayments are by approval only), (ii) "when-issued" transactions — when the market price of the "when-issued" security deteriorates from your contract price by an amount that exceeds your cash deposit, interest may be charged on such excess, and (iii) payments for securities purchased that are received past settlement date.

You are and shall be at all times liable for the payment of any debit balances or other obligations owing in any of the accounts held or accessed by you. You shall also be liable to ABW and its clearing broker for any deficiency remaining in such accounts in the event of the liquidation thereof, in whole or in part, by ABW

or by you, and you shall make payment of such obligation and indebtedness immediately upon demand, but in no event in more than three (3)

A. Grant of General Lien. You agree to grant ABW and its clearing broker a general security interest in and to all securities and other property held in any of your accounts or other accounts which may be carried or serviced by its clearing broker; including accounts in which you have only a partial interest. All such accounts and interests shall be subject to a general lien for discharge of all your indebtedness and other obligations to ABW and its clearing broker; and are to be held by its clearing broker as a security for payment of any liability or indebtedness of you to ABW and its clearing broker in any of the said accounts. ABW and its clearing broker shall have the right to transfer securities and other properties from or to any of your other accounts, without prior notice to you, whenever ABW or its clearing broker determines such a transfer necessary for ABW's or its clearing broker's protection. In enforcing ABW's lien, ABW and its clearing broker shall have the discretion to determine which securities and property are to be sold and/or purchased.

B. Liquidation Rights. You agree that ABW or its clearing broker has the right in accordance with their respective general policies regarding margin maintenance requirements and/or account debits of ANY nature, to require additional collateral or the liquidation of any securities and/or other property whenever; in each of their sole discretion, either one of them considers it necessary for their respective protection including the event of, but not limited to: your failure to meet promptly any call for additional collateral; your failure to pay for securities purchased or the failure to deliver securities in good deliverable form; the filing of a petition of bankruptcy by or against you; the appointment of a receiver by or against you; an attachment levied against any of your accounts or any account in which you have an interest; or your failure to pay for any and all debit balances within three (3) days after statements are mailed. In all such events, ABW or its dealing broker is authorized to sell any and all securities or other property in any of your accounts whether carried individually or jointly with others, to buy all securities or other property which may be short in such account(s), to cancel any open orders and to close any or all outstanding contracts, all without demand for margin or additional margin, other notice of sale or purchases, other notice or advertisement, each of which is expressly waived by you. Any such sales or purchases may be made at ABW or its clearing broker's sole discretion on any exchange or other market where such business is transacted or at public or private sale, and ABW or its clearing broker may be the purchaser for their own respective accounts or the seller in the case of a short position. It is understood that a prior demand, or call, or prior notice of the time and place of such sale or purchase SHALL NOT be considered a waiver of ABW or its clearing broker's right to sell or buy without demand or notice as herein provided.

C. Termination and Liability for Costs of Collection. ABW reserves the right to terminate your account(s) at any time for any reason. Upon termination, you agree to remain liable for any debit balances or deficiencies in your account. You specifically agree to reimburse ABW, its clearing broker; and/or any of its agents for all costs and expenses incurred in the collection of ANY DEBIT BALANCE OR DEFICIENCY in any of your accounts, including, but not limited to, attorney's fees and court costs. You understand that any or all of your accounts may incur costs for services that include, but are not limited to, services requested by you, such as wire fees and security transfer fees, as well as maintenance fees.

6. Reporting

A. Statements. As an ABW account holder; you will receive a statement at least quarterly of all transactions, and monthly in the months where there is activity in your account. Purchase and sale transactions will be posted on your statement as of the transaction settlement date. Securities held in your account(s) will be listed on your statement.

B. Trade Acknowledgments. Best efforts are made to insure that the acknowledgments for all transactions are mailed no later than the business day following the trade date. Any error on your acknowledgment must be communicated, in writing, to ABW prior to settlement day or the same will be deemed correct.

C. Receipt of Communications. Communications will be sent to you at the mailing address you specified on your account application or at such other address you may specify to ABW in writing. ALL communications so sent, whether by mail, mailgram, electronic mail, facsimile, messenger or otherwise, are presumed to be delivered to and received by you whether actually received or not.

7. Customers' Responsibility Regarding Certain Securities

Certain securities may grant the securities holder valuable rights that may expire unless the holder takes action. These securities include but are not limited to: warrants, stock rights, convertible securities, bonds, and securities subject to tender or exchange offer

You understand and agree that you are responsible for knowing the rights and terms of all securities in your account. Neither ABW nor any of its agents, including its clearing broker are required to notify you of any upcoming expiration or redemption dates, or to take any action on your behalf without your specific instruction.

8. Separability, Waiver, Assignments and Successors

This Agreement contains the entire understanding between ABW and you concerning the subject matter of said Agreement. If any provision or condition of this Agreement is held to be invalid, void or unenforceable by any law, rule, administrative order, or judicial decision, that determination shall not affect the validity of the remaining provisions of the Agreement

Except as specifically permitted in this Agreement no provision of this Agreement can be, nor deemed to be, waived, altered, modified, or amended unless such is agreed to in writing signed by ABW.

You acknowledge that this Agreement shall inure to the benefit of ABW, its clearing broker and each party's respective successors (whether by merger, consolidation or otherwise), assigns and agents. ABW may transfer your accounts to ABW's successors and assigns, and this Agreement shall be binding upon your heirs, executors, administrators, successors and assigns. ABW's agents, including but not limited to its clearing broker are responsible to, and have duties running to, ABW and not you.

9. Extraordinary Events

ABW and/or its agents shall not be liable for any losses caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war; natural disasters, or other conditions beyond its control, including but not limited to, extreme market volatility trading volumes. You are not a third-party beneficiary of any contract between ABW and any of its agents, including but not limited to its clearing broker. Any claims you may have relating to or concerning services performed to you under this agreement whether at law or in equity under tort or contract are expressly limited to ABW.

10. Acceptance and Termination of Accounts

This Agreement will be effective only upon approval. ABW reserves the right to reject your application. Your account may be terminated by you or ABW at any time for any reason. This Agreement will remain in effect until its termination is acknowledged in writing by an agent of ABW. Upon termination, you agree to remain liable for any debit balances or deficiencies in your account

11. Securities Investment Protection Corporation Coverage

Your account with ABW is currently protected by the Securities Investment Protection Corporation (SIPC), a federal corporation authorized to borrow funds from the U.S. Treasury, for up to \$500,000 of which no more than \$100,000 may be in cash (excluding money market balances). Additional insurance has been secured through a private insurance company to provide coverage of up to \$24,500,000 for securities only

12. ARBITRATION DISCLOSURES

• Arbitration is final and binding on the parties.

• The parties are waiving their right to seek remedies in court, including the right to a jury trial.

• Pre-arbitration discovery is generally more limited than and different from court proceedings.

• The arbitrators' award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited.

13. PRE-DISPUTE ARBITRATION AGREEMENT

A. YOU AGREE THAT ANY AND ALL CONTROVERSIES, DISPUTES OR CLAIMS THAT MAY ARISE BETWEEN YOU AND ABW, ITS CLEARING BROKER AND/OR ANY OF EITHER PARTIES OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR AFFILIATES RELATING TO OR IN ANY MANNER ARISING OUT OF OR CONCERNING ANY ORDER OR TRANSACTION, OR THE CONSTRUCTION, PERFORMANCE, OR BREACH OF THIS OR ANY OTHER AGREEMENT BETWEEN SAID PARTIES (WHETHER ENTERED INTO BEFORE, ON, OR AFTER THE DATE THIS ACCOUNT IS OPENED) PERTAINING TO SECURITIES AND/OR YOUR ACCOUNT(S) AND THE TRANSACTION THEREIN, OR IN ANY WAY ARISING OUT OF YOUR RELATIONSHIP WITH ABW WILL BE SETTLED BY ARBITRATION. ANY ARBITRATION UNDER THIS AGREEMENT SHALL BE CONDUCTED BY ANY ARBITRATION FACILITY PROVIDED BY ANY EXCHANGE OR SELF-REGULATORY AGENCY OF WHICH ABW IS A MEMBER, PURSUANT TO THE PROCEDURES OF SUCH BODY. YOU MAY ELECT SUCH AN ARBITRATION PANEL VIA WRITTEN REQUEST DELIVERED BY REGISTERED MAIL OR TELEGRAM TO ABW WITHIN FIVE DAYS AFTER RECEIPT OF A WRITTEN REQUEST FROM ABW TO MAKE SUCH ELECTION. IF YOU FAIL TO MAKE SUCH ELECTION WITHIN FIVE DAYS OF SUCH DEMAND OR NOTICE, YOU AUTHORIZE ABW TO DO SO ON YOUR BEHALF. THE AWARD OF THE ARBITRATORS, OR OF THE MAJORITY OF THEM, SHALL BE FINAL, AND JUDGMENT UPON THE AWARD RENDERED MAY BE ENTERED IN ANY COURT, STATE OR FEDERAL, HAVING JURISDICTION.

B. 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: (1) THE CLASS CERTIFICATION IS DENIED; OR (2) THE CLASS IS DECERTIFIED; OR (3) 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 THEREIN.

C. APPLICABILITY TO PERSONS NOT RESIDING IN THE US. IF YOU ARE NOT RESIDING IN THE UNITED STATES AT THE TIME OF ANY CONTROVERSY BETWEEN YOURSELF AND LB. WATLEY, INC. SUBJECT TO THIS ARBITRATION AGREEMENT, YOU ALSO AGREE TO THE FOLLOWING: (1) YOU AGREE THAT THE RULES OF THE ORGANIZATION ADMINISTERING THE ARBITRATION, NAMELY THE NASD, SPECIFICALLY PROVIDES FOR THE DESIGNATION OF THE PLACE WHERE THE ARBITRATION IS TO TAKE PLACE; (2) YOU AGREE TO THE PERSONAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, U.S.A. TO INTERPRET AND ENFORCE THESE ARBITRATION PROVISIONS DESCRIBED IN THIS AGREEMENT; (3) ALL ARBITRATIONS SHALL BE HELD IN THE ENGLISH LANGUAGE, UNLESS OTHERWISE AGREED TO BY THE PARTIES.

14. Order Flow Payment Disclosure

The Securities and Exchange Commission and the NASD require that all broker/dealers inform their customers when a new account is opened and on an annual basis thereafter; and on confirmations, of payment for order flow practices (compensation received by placing orders through "market makers" and specialists on registered U.S. exchanges). To provide our customers with the best execution possible, orders placed through A.B. Watley, Inc. will be routed to primary exchanges and other market centers, including regional securities exchanges and dealers which make markets over-the-counter. In an effort to obtain best execution, AB. Watley, Inc. may consider several factors, including price improvement opportunities (executions at prices superior to the then prevailing inside market on OTC or national best bid or offer for listed

securities), whether it will receive cash or non-cash payments for routing order flow and the reciprocal business arrangements. Further information about the source and nature of the compensation for a particular transaction will be provided upon written request

15. Margin Account Agreement

The settlement of securities purchases and other debit items in the ABW brokerage account comes first from available cash or money market fund balances and second from any margin availability. Any cash or money market fund balance in your account will be automatically applied to your margin debit balance.

You acknowledge that you have carefully examined your financial resources, investment objectives and tolerance for risk along with the terms of this margin agreement and have determined that margin financing is appropriate for you. You understand that investing on margin involves the extension of credit to you and that your financial exposure could exceed the value of your securities. In consideration for opening and maintaining one or more accounts, you acknowledge that you have read, understand, and agree to the terms and conditions contained in this Margin Agreement

All terms, conditions, and agreements set forth in the other sections of this Customer Agreement are hereby incorporated into this Margin Agreement as fully and with the same effects as if expressly set forth herein. The heading of each provision of this Margin Agreement is for descriptive purposes only and shall not be deemed a modifier qualifying either rights or obligations set forth in each such provision. No provision of this Margin Agreement can be amended or waived except in writing signed by an officer of both ABW and PFS/SAL. This Margin Agreement is irrevocable as long as you shall have any account(s) with ABW and PFS/SAL or there shall be open on their books any account guaranteed by you.

A. General Lien, Pledging/ Hypothecation, and Transfer Between Accounts.

Any and all credit balances, securities, or contracts relating thereto, and all other property of any kind belonging to you or in which you may have an interest held by ABW and/or PFS/SAL or carried for your accounts, shall be subject to a general lien for the discharge of your obligations to ABW and/or PFS/SAL (including unmatured and contingent obligations), however arising and without regard to whether or not ABW and/or PFS/SAL have made advances with respect to such property and without notice to you, may be pledged, re-pledged, hypothecated, or re-hypothecated separately or in common with other securities or any other property, for the sum due to ABW and/or PFS/SAL thereon or for a greater sum and without retaining in your possession and control for delivery a like amount of similar securities or other property. At any time and from time to time ABW and/or PFS/SAL may, in their sole discretion, without notice to you, apply and/or transfer any securities, contracts relating thereto, cash or any other property therein, interchangeably between any of your accounts (whether individual or joint), from any of your accounts to any account guaranteed by you. ABW and/or PFS/SAL is specifically authorized by you to transfer to your cash account on the settlement day following a purchase made in that account excess funds available in any of your other accounts, including but not limited to any free balances in any margin account sufficient to make full payment of this cash purchase. You agree that any debit occurring in any of your accounts may be transferred by ABW and/or PFS/SAL at their option to your margin account

B. Liquidations and Covering Positions. You will be liable for any deficiencies in such account(s) in the event of the liquidation of such account(s), in whole or in part, by you or ABW and/or PFS/SAL. Whenever ABW or PFS/SAL in their discretion deem it necessary for their protection, or for any other reason satisfactory to them, they are authorized by you to sell, assign, transfer and deliver all or any part of your securities and other property which may be in their possession or control in any manner they deem appropriate, and to make any necessary purchases to cover short sales. All of the above may be done without demand for margin or notice of purchase or sale to you, all such notices and demands hereby being expressly waived by you, and no specific demand or notice shall invalidate this waiver. After deducting all costs and expenses of the

purchase or sale and the associated deliveries, including commissions, transfer fees and stamp taxes ABW and PFS/SAL shall apply the balance of the proceeds to the payment of any and all of your liabilities, although you shall remain liable for any deficiency. Upon any such sale, other than private sale, ABW and/or PFS/SAL shall have the right to purchase for their account(s) any or all of the aforesaid property, discharged of any right of redemption which is hereby waived.

C. Margin Maintenance. You agree to maintain such margins as ABW and/or PFS/SAL may in their discretion require from time to time and will pay on demand any debit balance owing with respect to any of your accounts. You are also aware and agree that ABW and/or PFS/SAL may impose margin requirements more stringent than those required by law or regulatory/self-regulatory organization regulations, and such margin requirements may be changed or modified from time to time without any prior notice to you. You further agree that any waiver by ABW and/or PFS/SAL or failure to enforce such house margin requirements shall not in any way prevent either or both firms from subsequently enforcing such house margin requirements to any of your accounts.

In the event there is a decline in the market value of the securities in the margin account ABW and /or PFS/SAL may request additional collateral (i.e., margin). Ordinarily, a request for additional margin will be made when the equity in the account falls below the aforesaid firms' margin maintenance requirements, which may change from time to time without notice. However; ABW and PFS/SAL retain the right to require additional margin at any time if either of them deem it necessary or advisable. Any such call for additional margin may be met by delivery of additional marginable securities or cash. Any securities in any of your accounts are collateral for any debit balances in any of your accounts. A lien is created by these debits to secure the amount of money owed to ABW and/or PFS/SAL. This means that in accordance with the terms of this Margin Agreement securities in the said accounts can be sold by ABW and/or PFS/SAL to redeem or liquidate any debit balances in these accounts.

D. Disclosure of Credit Terms. You agree to be charged interest on any credit extended to or maintained for you by ABW and/or PFS/SAL for the purpose of purchasing, carrying, or trading in any security. Short sale accounts are excluded from the computation of such interest and instead are marked-to-market (i.e., the balance in the short sale account is adjusted to equal the market value of the short securities); any excess funds or deficiency of funds created by such marked-to-market is credited or charged, respectively to your margin account. All other credit balances in all cash and margin accounts are combined and interest is charged to the margin account on your resulting debit balance. Interest is computed monthly on the net debit balances during the month.

The annual rate of interest which is charged on net debit balances is calculated by means of a formula based on ABW's and PFS/SAL's base rate. The base rate is set at either or both firms' discretion, with reference to commercially recognized interest rates, industry conditions regarding the extension of margin credit and general credit conditions. The annual rate of interest is subject to change without prior notice. Interest is computed by multiplying the daily net debit balance by the effective rate of interest divided by 360

Separate interest charges and PFS/SAL's base rate may be charged to your cash account(s) in connection with:

(i) payments to you of the proceeds of a security sale before the regular settlement date (these prepayments are by approval only), (ii) "when-issued" transactions — when the market price of the "when-issued" security deteriorates from your contract price by an amount that exceeds your cash deposit, interest may be charged on such excess, and (iii) payments for securities purchased that are received past settlement date.

END OF THE CUSTOMER AGREEMENT



A.B. WATLEY DIRECT, INC.

MARGIN DISCLOSURE STATEMENT

A.B. Watley Direct, Inc. s document to you to provide 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 the margin agreement provided by Penson Financial Services (PFS). You may, at any time consult your broker with any questions or concerns you may have with 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 PFS. If you choose to borrow funds from PFS, you will need to open a margin account with PFS. The securities purchased are PFS's 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, PFS can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, 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 the following:

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 PFS to avoid the forced sale of those securities or other securities or assets in your account(s).

PFS 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 PFS, higher house requirements, PFS can sell the securities or other assets in any of your accounts held at PFS to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.

PFS can sell your securities or other assets without contacting you. Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they 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 notice to the customer.

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, PFS has the right to decide which security to sell in order to protect its interests.

PFS can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice. These changes in PFS'S policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause PFS member to liquidate or sell securities 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 a right to the extension.

The customer acknowledges that it has read, it understands, and it agrees to be bound by the terms and conditions of this Agreement. Person(s) signing on behalf of others must indicate title or capacity. If joint account, both parties must sign.



A.B. WATLEY DIRECT, INC.

PRIVACY POLICY

A.B. Watley Direct, Inc. carries your account as an introducing broker by arrangement with Penson Financial Services (“PFS”) broker-dealer as clearing broker. At A.B. Watley Direct, Inc. we understand that privacy is an important issue for our customers. It is our policy to respect the privacy of all accounts that we maintain as introducing broker and to protect the security and confidentiality of nonpublic personal information relating to those accounts. Please note that this policy applies to former customers as well as current customers.

Personal Information Collected:

In order to service your account as introducing broker, information is provided to PFS by your introducing broker who collects information from you in order to provide the financial services that you have requested.

The information collected by A.B. Watley Direct, Inc. and provided to PFS may come from the following sources:

- Information received from you, such as your name, address, telephone number, social security number, occupation, and income;
- Information relating to your transactions, including account balances, positions, and activity;
- Information which may be received from consumer reporting agencies, such as credit bureau reports and other information relating to your creditworthiness;
- and Information which may be received from other sources with your consent or with the consent of your clearing broker

Sharing of NonPublic Information:

A.B. Watley Direct, Inc. does not disclose nonpublic personal information relating to current or former customers to any third parties, except as required or permitted by law and in order to facilitate the clearing of customer transactions in the ordinary course of business.

Security:

A.B. Watley Direct, Inc. strives to ensure that our systems are secure and that they meet industry standards. We protect personal information that is provided to A.B. Watley, Inc. by you by maintaining physical, electronic and procedural safeguards that either meet or exceed applicable law. Where appropriate, we employ firewalls, encryption technology, user authentication system (i.e. passwords and personal identification numbers) and access control mechanisms to control access to systems and data. Third parties who may have access to such personal information must also agree to follow appropriate standards of security and confidentiality.

A.B. Watley Direct, Inc. has educated its staff with regard to this privacy policy and as a general policy our staff will not discuss or disclose information regarding an account except with authorized personnel of your introducing broker or as required by law or pursuant to regulatory request and/or authority.

Access to Your Information:

You may access your account information through a variety of media offered by your clearing broker and A.B. Watley Direct, Inc. (i.e. statements or online service). Please contact A.B. Watley Direct, Inc. if you require any additional information.

Changes to A.B. Watley Direct, Inc. Privacy Policy:

A.B. Watley Direct, Inc. reserves the right to make changes to this policy.

How to Get in Touch with A.B. Watley Direct, Inc. about this Privacy Policy:

For more information relating to A.B. Watley Direct, Inc.'s privacy policy, please contact
A.B. Watley Direct, Inc.
Compliance Department
40 Wall Street
New York, NY 10005-1301
212-422-1100

The customer acknowledges that it has read, it understands, and it agrees to be bound by the terms and conditions of this Agreement. Person(s) signing on behalf of others must indicate title or capacity. If joint account, both parties must sign.



A.B. WATLEY DIRECT, INC.

RISK DISCLOSURE STATEMENT

You should consider the following points before engaging in a day-trading strategy. For purposes of this notice, a “day-trading strategy” means an overall trading strategy characterized by the regular transmission by a customer of intra-day orders to affect both purchases and sale transactions in the same security or securities.

- 1) **Day trading can be extremely risky.** Day trading generally is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance. You should be prepared to lose all of the funds that you use for day trading. In particular, you should not fund day-trading activities with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet your living expenses. Further, certain evidence indicates that an investment of less than \$50,000 will significantly impair the ability of a day trader to make a profit. Of course, an investment of \$50,000 or more will in no way guarantee success.
- 2) **Be cautious of claims of large profits from day trading.** You should be wary of advertisements or other statements that emphasize the potential for large profits in day trading. Day trading can also lead to large and immediate financial losses.
- 3) **Day trading requires knowledge of securities markets.** Day trading requires in-depth knowledge of the securities markets and trading techniques and strategies. In attempting to profit through day trading, you must compete with professional, licensed traders employed by securities firms. You should have appropriate experience before engaging in day trading.
- 4) **Day trading requires knowledge of a firm’s operations.** You should be familiar with a securities firm’s business practices, including the operation of the firm’s order execution systems and procedures. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. This can occur, for example, when the market for a stock suddenly drops, or if trading is halted due to recent news events or unusual trading activity. The more volatile a stock is, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may experience losses due to system failures.
- 5) **Day trading will generate substantial commissions, even if the per trade cost is low.** Day trading involves aggressive trading, and generally you will pay commissions on each trade. The total daily commissions that you pay on your trades will add to your losses or significantly reduce your earning. For instance, assuming that a trade costs \$16 and an average of 29 transactions are conducted per day, an investor would need to generate an annual profit of \$111,360 just to cover commission expenses.
- 6) **Day trading on margin or short selling may result in losses beyond your initial investment.** When you day trade with funds borrowed from a firm or someone else, you can lose more than the funds you originally placed at risk. A decline in the value of the securities that are purchased may require you to provide additional funds to the firm to avoid the forced sale of those securities or other securities in your account. Short selling as part of your day-trading strategy also may lead to extraordinary losses, because you may have to purchase a stock at a very high price in order to cover a short position.
- 7) **Potential Registration Requirements.** Persons providing investment advice for others or managing securities accounts for others may need to register as either an “Investment Advisor” under the Investment Advisor Act of 1940 or as a “Broker” or “Dealer” under the Securities Exchange Act of 1934. Such activities may also trigger state registration requirements.