

Margin Disclosure Statement

Scottsdale Capital Advisors ("SCA") is furnishing this document to you in an effort to provide some basic facts about trading securities on margin, and to alert you to the risks involved with trading securities on margin. Before trading stocks on margin, you should review the margin agreement provided by your brokerage firm.

It is important that you 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 the firm to avoid the forced sale of those securities or other securities in your account.

The firm can force the sale of securities in your account. If the equity in your account falls below the maintenance margin requirements under the law, or the firm's higher "house" requirements, the firm can sell the securities in your account to cover the margin deficiency. If the firm is forced to liquidate, you are not entitled to choose which security in your margin account is liquidated or sold to meet a margin call. The securities are used as collateral for the margin loan therefore; the firm has the right to decide which security to sell in order to protect its interests. The customer is also responsible for any shortfall in the account after such a sale.

The firm can sell your securities 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 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.

The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you with advance written notice. 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 firm to liquidate or sell securities in your account.

You are not entitled to an extension of time on a maintenance or Reg. T 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.

Please consult with your broker regarding any concerns on your account. For additional information on margin accounts contact your broker or visit the NASD Regulation or Securities and Exchange Commission websites, at www.nasdr.com and www.sec.gov, respectively.

Day Trading Equity (June 18, 2001)

Customer accounts set up as day trading accounts or that engage in a pattern of day trading must maintain equity of at least \$2,000. This is a revision from our previous notice dated October 2000, which required a minimum of \$5,000. Day-trading accounts that have less than \$2,000 in equity will de-permissioned from trading until such time the account has sufficient equity.

This policy will be enforced through September 28, 2001. As of September 28, 2001, the amendments to NASD Rule 2520 become effective, requiring the minimum equity for day trading accounts to be \$25,000. This minimum equity must be deposited in the account before such customer may continue day trading and must be maintained in the customer's account at all times.

Additional information on the amendments can be found in Notice to Members 01-26.

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Customer Return Check Policy (Feb 01, 2001)

Effective February 12, 2001, upon receipt of a customer check that is returned for non-sufficient funds, uncollected funds, etc., SCA will depermission the account from trading until the customer delivers payment via wire or cashiers check. Furthermore, if a customer "bounces" two checks within a six-month period, SCA will only accept a wire or cashiers check as payment for the customers' obligations for a period of six months. This period will begin from the date of receipt of the second returned check.

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Critical Information on Margin Accounts.

A customer may purchase securities in full or borrow part of the purchase price, referred to as margining. If funds are borrowed for the purchase, customer must deposit an "initial amount" or have funds in the account equal to the greater of \$2,000 or 50% of the purchase price. Pursuant to Federal Reserve Board Regulation T, firms can lend a customer up to 50% of the total purchase price. The remaining balance is loaned by the brokerage firm and is secured by the securities in the account. However, some securities cannot be purchased on margin, and require the customer to deposit 100% of the purchase price. The use of a margin account is designed to leverage the customers' position, therefore increasing gains and losses on investment accounts. Trading in margin accounts

may subject the customer to losses greater than the amount deposited. In addition, the firm can force the liquidation of securities without contacting the customer in order to satisfy a margin call. Margin calls are issued when the equity in the customer's account decreases below an established margin requirement. The firm may reduce the time in which a margin call is to be satisfied, depending on market conditions. Whether or not a margin call is issued, the firm has the right to liquidate positions in order to satisfy its maintenance requirement. Brokerage firms, like other creditors, maintain procedures to limit their risk in lending. Margin refers to buying on credit; therefore, any loan balance is the responsibility of the borrower/investor. Failure to meet their responsibilities may result in legal action or collection proceedings against the customer. For additional information on margin trading, contact your Account Executive. New issues (IPO's) may be traded in a cash or margin account to the extent of the customer's buying power. However, purchases of new issue securities held overnight are subject to a maintenance requirement of 100% for the first 30 days of trading. At which time, the margin requirement for the security may be adjusted, depending on market conditions. A margin call may be issued for these transactions even though the equity in the account is greater than 35%.

Clarification of firm's margin policies.

From time to time it is appropriate to review certain policies that are implemented by the clearing firm, (Scottsdale Capital Advisors. "SCA") to protect you the client, your clearing firm as well as SCA. The volatile market conditions and erratic price swings in technology and internet stocks as well as other securities that we have all seen within the past several months, makes this the perfect time to communicate and reaffirm the clearing firm's policy with regards to margin accounts.

Any Margin account 25% and below must meet a margin call by 2:00PM Eastern (11:00AM Pacific) by Federal Wire or liquidation of securities at four (4) times the call amount. Any Margin Account that falls below 35% in equity will incur a maintenance call and will have 72 hours to remedy the call, as long as in the discretion of Computer Clearing Services ('SCA') the account does not represent a risk of becoming an unsecured debit. Factors in determining such are but not limited to, undo concentration in a stock, and the general volatility in the market. If SCA determines that such a risk exists, it will take immediate steps to eliminate the risk. Customers responding to margin calls must contact their broker dealer with instructions as to how the margin call will be met. If SCA determines liquidation of securities is an acceptable form of meeting the call, then liquidation orders are to be given to your broker, who will call the orders to the trading desk. If cash is the required or preferred method used to meet the call, the broker dealer will provide you with wire instructions for wiring funds to SCA and the customer should follow up with a wire number within the trading day.

Margin accounts that are set up as retail or internet must maintain equity of at least \$2,000. If retail and internet margin accounts fall below \$2,000 in equity, the

customer will have three days to increase the equity to \$2,000. Customer accounts set up as day trading accounts or that engage in a pattern of day trading must maintain equity of at least \$5,000. Day-trading accounts that have less than \$5,000 in equity will de-permissioned from trading until such time the account has sufficient equity.

Any margin account that has one position that makes up 50% or more of the market value will be subject to liquidation. SCA compliance and margin departments will review these accounts on a case by case basis with the broker dealer.

Please be aware that SCA reserves the right to liquidate an account at any time as outlined in the margin agreement if SCA deems that the account represents a risk to SCA

As a reminder, NASDAQ Listed Stocks under \$5.00 per share can be day traded on margin, but any stocks held long overnight are considered cash trades.

If your account drops to 25% or below in equity, your order entry feature will be immediately removed. Once the call is cured, your Broker Dealer must call the C.C.S.

Margin Department to reinstate your order entry feature.

This notice is provided for your benefit and is intended to clarify the firms' margin policies. May 24, 2000

Scottsdale Capital Advisors clears its securities on a fully disclosed basis through First Clearing and Computer Clearing Services, Inc.