

## Margin Disclosure Statement

We are furnishing this document to you to provide some basic facts about purchasing securities on margin, and to alert you to the serious 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 optionsXpress, Inc. (referred to as "optionsXpress," "our," or "we").

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from us. If you choose to borrow funds from us, you will open a margin account. The securities purchased are our 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, we can take action, such as issue a margin call and/or sell securities in your account, 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 optionsXpress (who has made the loan) to avoid the forced sale of those securities or other securities in your account.

**We 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, optionsXpress can sell the securities in your account to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.

**We 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 the 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 security in your margin account is liquidated or sold to meet a margin call.**

Because the securities are collateral for the margin loan, optionsXpress has the right to decide which security to sell in order to protect its interests.

**We can increase its "house" maintenance margin requirements at any time and are not required to provide you with advance written notice.**

These firms' changes in 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 member to liquidate or sell securities in your account.

**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.

Please contact us regarding any questions or concerns you may have with your margin accounts.

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