



Margin Risk Disclosure

STATE OF MAINE Online Investing Risk Disclosure

With the opportunity to make investment decisions comes the responsibility to take the time to understand the implications of those decisions. Although online trading saves the investor time and money, it does not remove the need to do homework before making investment decisions. Investing in the stock market, however you choose to do it and however easy it may be, will always entail risks. Those risks include, but are not limited to, the following:

a. Personal Computers are not a direct link to the stock market

Although the Internet makes it seem as if you have a direct connection to the securities market, you do not. The online investor's order generally goes through the same process that it would, had he/she called his/her broker directly. Moreover, by placing an order online, the investor opens the door to a host of new, potential problems. These potential problems can consist of clogged lines, system failure(s) anywhere between the investor's PC and the actual exchange or electronic marketplace, and the fact that in fast markets orders can, and often will, back up.

b. Limit Orders v. Market Orders

Price quotes are only for a limited number of shares; so only the first few investors will receive the current quoted price. By the time your order reaches the front of the line, the price of the stock could be very different. To avoid buying/selling a stock at a price higher/lower than you wanted, you need to place a limit order rather than a market order. A limit order is an order to buy/sell a security at a specific price. When you place a market order, you cannot control the price at which your order will be executed.

c. Delayed Trade/Cancellation Confirmations

With the large volume of securities being traded online, you may occasionally experience trouble getting initial trade/cancellation confirmations after execution/cancellation. The fact that you did not immediately receive a trade report does not mean your order was not executed. Avoid the temptation to re-enter the order, otherwise, you may end up entering multiple orders for the same security that cannot be cancelled. Another misconception is that an order is cancelled when you hit cancel on your computer. In fact, the order is cancelled only when the market receives the cancellation. You may receive electronic confirmation of cancellation, but that only means your cancellation request was received - not that your order was actually cancelled.

d. Buying on Margin

A margin account cannot be opened unless the customer signs a margin agreement. Under the agreement, the customer pledges the securities that are purchased in the account to the brokerage firm. In return for the pledge of securities, the brokerage firm loans the customer a portion of the purchase price. If you plan to borrow money to buy stock, you also need to know the terms of the loan your broker gave you and the inherent risks involved. In volatile markets, an investor who puts up an initial margin payment for the purchase of stock would typically be required to deposit additional funds, (thus the term "margin call"), in his/her account if the price of the stock falls. If you do not respond in a timely manner, stocks in your account could be sold to cover the call and you would be held responsible for any losses. Your broker has the legal right to sell your securities, without consulting you first, if your account falls below the required minimum maintenance level. However, Customers of Interactive Brokers LLC ("IB") recognize that although it is prevailing practice for brokerage firms to issue margin calls, IB will not ordinarily do so. IB requires its Customers to monitor their accounts and, to avoid the possibility of a close-out, to maintain sufficient equity in excess of minimum margin requirements. Customer excess balances shall earn interest at rates published by IB.

ACKNOWLEDGEMENTS BY CUSTOMER

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