

Arvest Wealth Management Margin Disclosure, Requirements and Interest Charges

Margin Disclosure

The information in this document only applies if you elected to have margin on your account.

Arvest Wealth Management (AWM) is furnishing this 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 AWM or its clearing firm, Pershing LLC. Please consult with your Client Advisor 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 from our clearing firm. If you choose to borrow funds from our clearing firm, you will open an AWM margin account with our clearing firm. The securities purchased are the clearing firm'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, AWM, or its clearing firm can take action, such as issuing a margin call and/or selling securities or other assets in any of your accounts with AWM, 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 AWM or the clearing firm that has made the loan, to avoid the forced sale of those securities or other securities or assets in your account(s).
- **AWM or the clearing firm 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 the clearing firm or AWM's higher "house" requirements, the firm can sell the securities or other assets in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.
- **AWM or the clearing firm 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 the margin call, the firm can still take necessary steps to protect its financial interest, including immediately selling the securities without notice to you.
- **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, AWM or the clearing firm has the right to decide which securities to sell to protect its interest.
- **AWM or the clearing firm can increase its "house" maintenance margin requirements at any time and it is not required to provide you advanced written notice.** These changes in a 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 AWM or the clearing firm 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.

Your written Margin Agreement with AWM or the clearing firm provides for certain important obligations by you. The Margin Agreement is a legally binding agreement, cannot be modified by conduct, and no failure on the part of AWM or the clearing firm at any time to enforce its rights under the Margin Agreement to the greatest extent permitted shall in any way be deemed to waive, modify or relax any of the rights granted to AWM or the clearing firm, including those rights vested in AWM or the clearing firm to deal with the collateral on all loans advanced to you.

Margin Requirements and Interest Charges

AWM's clearing firm will charge interest on any credit extended for any purpose including, but not limited to, purchasing, carrying, or trading in securities. Interest is calculated daily when an AWM account has a settled debit balance. The interest charge made to the account will be added to the opening balance of the next charge period unless paid.

Your interest charges will be based on the Broker Call rate plus a percentage increase, as more fully explained below. The Broker Call rate is generally published daily in financial publications such as the *Wall Street Journal* and *Investor's Business Daily*. The Broker Call rate and/or the cost of borrowing money will fluctuate periodically and will result in an automatic charge (increase or decrease) in the interest rate without prior notice. If there is a change in the interest rate due to a change in the cost of money during any interest period, separate charges will be shown in your monthly statement for each period under each different rate. Interest may be charged for an extension of credit which is not directly related to purchases on margin. Examples of such extensions of credit include, but are not limited to, prepayments on securities sold and late payments received in cash accounts. Interest charged shall be determined by the rate applied on the margin accounts.

You may be charged additional charges or fees, such as transaction and service charges that correspond with security sales, in connection with establishing and maintaining a short position and such charges will be disclosed to you by your Client Advisor at the time a short position is established. Also, additional fees may be imposed or increased from time to time based upon changing market conditions. An example would be when a security that you have sold short is no longer easy-to-borrow, we, or our clearing firm, may make an immediate change to any fees being charged to reflect current market rates relating to the borrowing of those securities. Additionally, all dividends, paid by a shorted security, are your obligation as the short seller and are owed to the owner of the security. Your account will be charged accordingly to satisfy this obligation.

Calculation of Interest Charges

Interest is calculated daily and the "Rate" is determined by the average debit balance during the interest period. Interest periods will run from the 20th of each month to the 19th of the following month based on a 360-day year and actual days elapsed. Note an interest period may have multiple calculations if the interest rate changes during the period. Your monthly statement will show the interest charged, the rate(s) of interest and applicable dates for the interest period, the transaction and settlement date(s) for the calculation(s). The monthly statement will show Trade/Transaction and Process/Settlement Dates regarding a trade, but the margin interest charged is calculated on a settlement date basis. Checking the calculation of interest charged, may require referencing both your current and prior month's statements.

Your monthly statement's description of interest charged will show:

1. The "Rate" is used in the calculation of interest charges, and in additional calculations for any changes in such rate, during the interest period. The "Rate" equals the Broker Call Rate (BC) plus a percentage increase that changes based upon the average debit balance during the interest period. AWM's current "Rate", subject to change in the future, is dependent on the tier which the average debit balance falls into within the following sequence:

BC + 5.5000% POINTS ON AVG. DEBIT BALANCES UP TO \$ 24,999.99

BC + 5.1000% POINTS OVER LINE1 AVG. DEBIT BAL UP TO \$ 49,999.99

BC + 4.2500% POINTS OVER LINE2 AVG. DEBIT BAL UP TO \$ 99,999.99

BC + 4.1000% POINTS OVER LINE3 AVG. DEBIT BAL UP TO \$ 249,999.99

BC + 3.7500% POINTS OVER LINE4 AVG. DEBIT BAL UP TO \$ 499,999.99

BC + 2.0000% POINTS OVER LINE5 AVG. DEBIT BAL UP TO \$ 999,999.99

BC + 1.7500% POINTS OVER LINE6 AVG. DEBIT BAL UP TO \$ 4,999,999.99

BC + 0.0000% POINTS OVER LINE7 AVG. DEBIT BAL UP TO \$ 99,999,999,999.99

2. The Average Debit Balance is the average of the daily debit balances during the interest period for periods only having one interest rate, or for the interest calculation period, for interest periods where there has been an interest rate change(s), due to a change(s) in the Broker Call Rate, or otherwise.

The daily debit balance is calculated by adding the account's opening balance, if any, to any extensions of credit, including, but not limited to, purchases by the client or payments to the client and subtracting any credits created by sales or payments into the account by the client, which provides the daily net balance. This amount is further reduced by any free credit balance in the cash account.

Short sale positions (if applicable) will also impact your daily and average debit balances. A short sale occurs when you sell borrowed securities to a third party in anticipation of buying the security back at a lower price in the future. A credit balance created from the security short sale, will not reduce the average daily debit balance in your margin account because such credit balance is normally used to collateralize the borrowing of stock to make delivery against the short sale. However, short sale positions will be marked to the market daily and such changes in the security's price will affect the debit balance in your margin account. Therefore, if such change results in a credit, such credit will be transferred to your margin account as a credit; and conversely, if such change results in a debit, such debit will be transferred as a debit to your margin account.

3. The Interest Period will run from the run from the 20th of each month to the 19th of the following month based on 360 days.
4. Interest Charged on Debit Balances is shown on the monthly statement and is calculated by the following formula:

$$\text{DEBIT BALANCE} \times \frac{\text{RATE}}{360} = \text{INTEREST CHARGED FOR 1 DAY}$$

This daily interest amount is added up for each day during the interest period, or interest calculation period in cases where the rate has changed during the interest period, and shows on your statement as the Interest Charged on Debit Balances.

5. Calculation Note: AWM's clearing firm uses a divisor of 360 days in determining interest charged. The use of this divisor will affect the actual interest charged on an annualized basis and will result in a slightly higher rate on such an annualized basis than the rate determined in Item 1 and shown as the rate in your monthly statement.
6. AWM reserves the ability to grandfather the rate calculation used in the determination of interest charges for certain client accounts that had margin debit balances at our previous clearing firm, Wells Fargo Clearing Services, LLC, at the time of conversion to our current clearing firm, Pershing LLC. The applicable account owners will receive a separate Margin Disclosure, Requirements and Interest Charges document that reflects their rate calculation process.

Please contact your Client Advisor for current margin interest rates. Rates and calculations are subject to change.