

L.M. Kohn & Company

CMO DISCLOSURE FORM

I / We intend on purchasing Collateralized Mortgage Obligations (CMO) securities within my / our securities account at L.M. Kohn & Company through my Registered Representative listed below.

I / We further understand that (Client(s) Initial each line):

1. _____ I / we understand the risks associated with CMOs.
2. _____ CMOs are not the same as conventional debt securities or CDs and the time to maturity may vary as well as the timing of principal received due to changing prepayment speeds.
3. _____ The prepayment assumptions (estimates based on historic prepayment rates for each particular type of mortgage loan under various economic conditions from various geographic areas) are factored into the offering price, yield and market value of a CMO. CMO bonds may pay off more principal than anticipated which may force me/us to reinvest at a lower interest rate.
4. _____ By selling CMOs rather than waiting for the final principal payment, the securities may be worth less than waiting for the final principal payment, and the securities may be worth less than their original face value.
5. _____ For CMOs purchased at a premium any implied guarantee as to principal applies only to the par value of the security and not to any premium paid.
6. _____ For Floating Rate Tranches purchased, falling interest rates will decrease interest payments and shorten the anticipated average life and return of principal. This may increase or decrease the effective yield.
7. _____ For Inverse Floating Rate CMOs, rising rates will lower interest payments and extend return of principal beyond the anticipated average life. This may increase or decrease the effective yield.
8. _____ All assumptions, opinions and estimates constitute the Registered Representative's judgment as of this date and along with prices and yields, are subject to change without notice. The yield and/or average life shown consider prepayment assumptions that may or may not be met.
9. _____ I have received and read the **"Investor's Guide to Collateralized Mortgage Obligations"** booklet which was provided to me by my Registered Representative on (date)_____.

Date: _____

Account number (s) _____

Client name and signature: _____

Joint account holder name and signature: _____

OSJ name and signature: _____