



FTX Capital Markets

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Low Priced Securities Disclosure

Definition and Scope:

The term "penny stock," or "low priced security," generally refers to low-priced shares (less than \$5) issued by smaller companies that are not traded on an exchange or quoted by NASDAQ. While penny stocks and low priced securities generally are quoted over the counter, such as on the OTC Links or in the Pink Sheets, they may also trade on securities exchanges, including foreign securities exchanges. In addition, penny stocks and low priced securities include the securities of certain private companies with no active trading market.

Low priced securities and penny stocks are considered speculative investments and customers who trade in low priced securities and penny stocks should be prepared for the possibility that they may lose their entire investment or an amount in excess of their investment if they purchased on margin. Before investing in a low-priced security, you should thoroughly review the issuer and be aware of the risks associated with trading low priced securities.

Low Priced Security Risks:

Low priced securities may trade infrequently, which means that it may be difficult to sell the shares once you own them. Because it may be difficult to find quotations for certain low-priced securities, they may be difficult, or even impossible, to accurately price.

Higher Volatility. Due to low liquidity, low priced securities are subject to greater volatility and price swings. A customer order to purchase or sell a low-priced security may not execute or may execute at a substantially different price than was quoted in the market at the time the order was placed. In addition, the market price of any low-priced security you purchase can vary significantly over time.

Lack of Public Information. Most large, publicly-traded companies file periodic reports with the U.S. Securities and Exchange Commission (SEC) that provide information relating to the company's assets, liabilities and performance over time. In contrast, information about low priced securities can be extremely difficult to find, making them more likely to be the subject of an investment fraud scheme and making it less likely that quoted prices in the market will be based on full and complete information about the company.

Reliable information regarding issuers of low-priced securities, their prospects, or the risks associated with investing in such securities may not be available. Certain issuers of low-priced securities have no obligation to provide information to investors. Some issuers register securities with the SEC and may provide regular reports to investors. Others however may not be required to maintain such registration or provide such reports. Securities may continue to be traded if issuers are delinquent in their reporting obligation to the SEC or other federal or state regulatory agencies.

Penny stocks have not been approved or disapproved by the SEC. The SEC has not passed upon the fairness, the merits, the accuracy or adequacy of the information contained in any prospectus or any other information provided by an issuer or a broker or a dealer of penny stocks.

Scams. Low priced securities are frequent vehicles for scams and/or market manipulation due to their generally lower prices and less stringent listing requirements. You should be wary of advertisements, unsolicited emails, newsletters, blogs or other promotional reports that emphasize the potential for large profits in in these securities. These promotional materials are often used to manipulate or "pump up" the price of low priced securities before selling a large volume of shares, a.k.a "dump". Customers are therefore strongly encouraged to do their own due diligence with respect to any low priced securities they invest in



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and not rely on any outside promotional materials.

Trading low-priced securities is subject to significant risks, increased regulatory requirements and oversight, and additional fees.

Further Reading:

Before you consider investing in the stock of any small company, you may want to review the low-priced securities rules outlined in Exchange Act Section 15(h) and Exchange Act Rules 3a51-1 and 15g-1 through 15g-100 as well as the SEC brochure Microcap Stocks: A Guide for Investors (<https://www.sec.gov/reportspubs/investor-publications/investorpubsmicrocapstockhtm.html>).