FIRSTRADE

LOW-PRICED SECURITIES - Penny and Sub-Penny Stocks

The term “penny stock” generally refers to low-priced (below $5), speculative securities of very small companies. While penny stocks generally are quoted over the counter, such as on the OTC Bulletin Board or in the Pink Sheets, they may also trade on securities exchanges, including foreign securities exchanges. In addition, the definition of penny stock can include the securities of certain private companies with no active trading market.

RISKS

Investments in low-priced securities are speculative and involve considerable risk. Low-priced securities often exhibit high price volatility and erratic market movements. Often, when investors buy or sell these securities, they affect the quoted price significantly. In some cases, the liquidation of a position in a low-priced security may not be possible within a reasonable period of time and is subject to additional fees (read below Additional Fees section).

It may be difficult to properly value an investment in a low-priced security. 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 Securities and Exchange Commission (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 Securities and Exchange Commission (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.

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

FEES

Low-priced securities are subject to settlement fees if they are non-DTC-eligible securities. The Depository Trust Company (DTC) provides clearing, settlement and information services for certain securities. Certain low-priced securities are not DTC-eligible or have had their eligibility revoked. As a result, the settlement of these physical positions can carry significant pass-through charges for our clearing firm, Apex Clearing Corp, including execution fees, DTC fees, deposit fees, New York window fees, and transfer agent fees. These fees, which can vary and may be substantial, increase the cost that Apex Clearing Corp, passes through for clearing and execution.

Customers who trade penny stocks and non-DTC-eligible securities are responsible for these charges, which can be as high as 10 times the value of the trade. Orders that require executions with multiple contra-parties will result in settlement fees for each separate transaction. Neither Firstrade nor Apex Clearing Corp mark up any of these fees before they are passed through to customers. These pass-through charges may not be immediately charged to a customer account following a trade in non-DTC-eligible securities, as our clearing firm may receive notice of such fees several weeks following the trade. Firstrade reserves the right to withhold funds in a customer account pending potential assessment of fees associated with trading in low-priced securities. It is your responsibility to investigate the eligibility status of a low-priced equity before trading it. You should contact the specific company whose equity you intend to trade to confirm eligibility.

FORCED BUY-INS

Your sale of a low-priced security may be reversed with a forced buy-in executed at the current market price, leading to potential large losses.

The National Securities Clearing Corporation (NSCC), a subsidiary of DTC, enforces an "Illiquid Requirement" onto the clearing firm when one customer (or more than one customer in the aggregate, across the totality of customers of Apex Clearing Corp's correspondents) whose account is carried by Apex Clearing Corp sells more than 25% of the average daily trading volume of a security over the last rolling 20 business days. The Illiquid Requirement is a deposit ("charge") that the Clearing firm is required to post under certain circumstances. The amount of this requirement depends on the percentage of the ADV (Average Daily Value) represented by the open sales. The requirement has very little relation to the value of the trade, and is generally at least ten times the trade value and may be as high as one hundred times the trade value, or even more. This requirement is incurred even if the customer owns the shares and even when Apex Clearing Corp has these shares long in its DTC account. If Apex Clearing Corp's customer creates a NSCC Illiquid Charge greater than $50,000, the offending trade or trades may be bought in on T+1, without notice to the customer. If a customer creates a second NSCC Illiquid Charge greater than $50,000 in a ninety-day period, in addition to the buy-in, the customer account may be subject to closure for ninety days.