

Microcap or (Penny) Stock Trading Risk Disclosure

This disclosure contains additional important information regarding the characteristics and risks associated with trading microcap (penny) stocks.

What is a Microcap or "Penny" Stock?

Generally, microcap stocks are low-priced shares of small companies that are not traded on an exchange or quoted on NASDAQ. Companies with a market capitalization of less than \$250 or \$300 million are often called “microcap stocks” – although many have market capitalizations of far less than those amounts. Microcap stocks are historically more volatile and less liquid than other equities. For these and other reasons, microcap stocks are considered speculative investments and customers who trade in microcap 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 microcap stocks on margin. Before investing in a microcap stock, you should thoroughly review the company issuing the microcap stock. In addition, you should be aware of certain specific risks associated with trading in microcap stocks.

Where do Microcap Stocks Trade?

Many microcap stocks are not traded on an exchange or quoted on NASDAQ, but trade in the “over-the-counter” (OTC) market. Quotes for microcap stocks may be available directly from a broker-dealer or on OTC systems such as the OTC Bulletin Board (OTCBB), OTC Link LLC or Global OTC.

Risks Associated With Microcap Stocks

There are a number of risks of trading microcap stocks, including the following:

You Can Lose All or Much of Your Investment Trading Microcap Stocks. All investments involve risk, but microcap stocks are among the most risky and are generally not appropriate for investors with low risk tolerance. Many microcap stock companies are new and do not have a proven track record. Some microcap stock companies have no assets, operations or revenues. Others have products and services that are still in development or have yet to be tested in the market. Microcap stock companies therefore have a greater risk of failure and those who invest in microcap stocks have a greater risk that they may lose some or all of their investment.

Lack of Publicly Available Information. Most large, publicly-traded companies file periodic reports with the SEC that provide information relating to the company's assets, liabilities and performance over time. In addition, these companies provide their financial information and operational results online. In contrast, information about microcap stock companies 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.

No Minimum Listing Standards. Companies that offer shares of their stock on exchanges can be subject to stringent listing standards that require the company to have a minimum amount of net assets and shareholders. Most microcap stock companies do not list their shares on exchanges and are not subject to these minimum standards.

Risk of Lower Liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more demand there is for a particular security, the greater the liquidity for that security. Greater liquidity makes it easier for investors to buy or sell securities so investors are more likely to receive a competitive price for securities purchased or sold if the security is more liquid. Microcap stocks are often traded infrequently and have lower liquidity. You may therefore have difficulty selling microcap stocks once you own them. Moreover, because it may be difficult to find quotations for certain microcap stocks, they may be difficult, or even impossible, to accurately price.

Risk of Higher Volatility. Volatility refers to changes in price that securities undergo when they are being traded. Generally, the higher the volatility of a security, the greater its price swings. Due to their lower liquidity, microcap stocks are subject to

greater volatility and price swings. A customer order to purchase or sell a microcap stock may not execute or may execute at a substantially different price than the prices quoted in the market at the time the order was placed. In addition, the market price of any microcap stock shares you obtain can vary significantly over time.

Microcap Stocks Can Be Subject to Scams. Microcap stocks 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 e-mails, newsletters, blogs or other promotional reports that emphasize the potential for large profits in microcap stocks generally or certain microcap stocks. These promotional materials are often used to manipulate or "pump up" the price of microcap stocks before selling a large volume of shares. Customers are therefore strongly encouraged to do their own due diligence with respect to any microcap stock company they invest in and to not rely on any outside promotional reports or newsletters.

Make sure you understand the company's business and its products or services. Carefully review all materials you are given and verify every statement you are told about the investment. Pay attention to the company's financial statements, particularly if they are not audited by a certified public accountant (CPA).

Further information concerning microcap stocks and the risks involved in trading them is available on the SEC's website at:

<http://www.sec.gov/investor/pubs/microcapstock.htm>