Penny Stock Risk Disclosure

IMPORTANT INFORMATION ABOUT PENNY STOCKS

This statement is required by the U.S. Securities and Exchange Commission (SEC) and contains important information on penny stocks. You are urged to read it before making a purchase or sale.

Generally, a penny stock is a security that:

- Is priced under five dollars.
- Is not traded on a national stock exchange or on NASDAQ.
- May be listed in the OTCQB or Pink markets.
- Is issued by a company that has less than $250 million market capitalization.

Penny Stocks can be very risky. Use Caution when investing in Penny Stocks.

- **Do not make a hurried investment decision.** High-pressure sales techniques can be a warning sign of fraud. The salesperson is not an impartial advisor, but is paid for selling stock to you. The salesperson also does not have to watch your investment for you. Thus, you should think over the offer and seek outside advice. Check to see if the information given by the salesperson differs from other information you have. Also, it is illegal for salespersons to promise that a stock will increase in value or is risk- free, or to guarantee against loss. If you think there is a problem, ask to speak with a compliance official at the firm, and, if necessary, any of the regulators referred to in this statement.

- **Study the company issuing the stock.** Be wary of companies that have no operating history, few assets, or no defined business purpose. These may be sham or "shell" corporations. Read the prospectus for the company carefully before you invest. Some dealers fraudulently solicit investors' money to buy stock in sham companies, artificially inflate the stock prices, then cash in their profits before public investors can sell their stock.

- **Understand the risky nature of these stocks**. Penny stocks are low priced shares of small companies not traded on an exchange or quoted on NASDAQ. Prices often are not available. Because of large dealer spreads and illiquidity, investors in penny stocks often are unable to sell back to the dealer that sold them the stock at your original purchase price or in the open market, thus you may lose part or all of your investment. In some cases, the stock may fall quickly in value. New companies, whose stock is sold in an "initial public offering, " often are riskier investments. Try to find out if the shares the salesperson wants to sell you are part of such an offering. Your salesperson must give you a "prospectus" in an initial public offering, but the financial condition shown in the prospectus of new companies can change very quickly.

- **Know the brokerage firm and the salespeople with whom you are dealing.** Because of the nature of the market for penny stocks, you may have to rely solely on the original brokerage firm that sold you the stock for prices and to buy the stock back from you. You can contact the FINRA Regulation BrokerCheck hotline at 1-800-289-9999 or visit the FINRA website at finra.org., about the licensing and disciplinary record of the brokerage firm and the salesperson contacting you. If you are a victim of fraud, you may have rights and remedies under state and federal law. You may also contact the SEC with complaints at (202) 272-7440.

- **Be cautious if your salesperson leaves the firm.** If the salesperson who sold you the stock leaves his or her firm. The firm may reassign your account to a new salesperson, If you have problems, ask to speak to the firm's branch office manager or a compliance officer. Although the departing salesperson may ask you to transfer your stock to his or her new firm, you do not have to do so. Get information on the new firm. Be wary of requests to sell your securities when the salesperson transfers to a new firm. Also, you have the right to get your stock certificate from your selling firm. You do not have to leave the certificate with that fim1 or any other firm.

Market Information and Your Rights

The market for penny stocks. Penny stocks usually are not listed on an exchange or quoted on the NASDAQ system. The bid and offer quotes are the wholesale prices at which the dealers trade among themselves. These prices give you an idea of the market value of the stock. The dealer must tell you these price quotes if they appear on an automated quotation system approved by the SEC. The OTCQB or Pink markets also will contain information on some penny stocks. You should calculate the spread; the difference between the bid and the offer quotes, to help decide if buying the stock is a good investment. At times, however, price information for these stocks is not publicly available.

Market domination. In some cases, only one or two dealers, acting as "market makers," may be buying and selling a given stock. You should first ask if a firm is acting as a broker (your agent) or as a dealer. A dealer buys stock itself to fill your order or already owns the stock. A market maker is a dealer who holds itself out as ready to buy and sell stock on a regular basis. If the firm is a market maker, ask how many other market makers are dealing in the stock to see if the firm (or group of firms) dominates the market. If there are only one or two market makers, there is a risk that the dealer or group of dealers may control the market in that stock and set prices that are not based on competitive forces. In recent years, some market makers have created fraudulent markets in certain penny stocks, so that stock prices rose suddenly, but collapsed just as quickly, at a loss to investors.

Mark-ups and mark-downs. The actual price that the customer pays usually includes the mark-up or mark- down. Mark-ups and markdowns are direct profits for the firm and its salespeople, so you should be aware of such amounts to assess the overall value of the trade.

The "'spread." The difference between the bid and offer price is the spread. Like a mark-up or mark-down, the spread is another source of profit for the brokerage firm and compensates the firm for the risk of owning the stock. A large spread can make a trade very expensive to an investor. For some penny stocks, the spread between the bid and offer may be a large part of the purchase price of the stock. Where the bid price is much lower than the offer price, the market value of the stock must rise substantially before the stock can be sold at a profit. Moreover, an investor may experience substantial losses if the stock must be sold immediately.

Example: If the bid is $.04 per share and the offer is $0.10 per share, the spread (difference) is $0.06, which appears to be a small amount. But you would lose $0.06 on every share that you bought for $0.10 if you had to sell that stock immediately to the same firm. If you had invested $5,000 at the $0.10 offer price, the market maker's repurchase price, at $0.04 bid, would be only $2,000. Thus, you would lose $3,000, or more than half of your investment, if you decide to sell the stock. In addition, you would have to pay compensation (a "mark-up," or commission) to buy and sell the stock.

In addition, to the amount of the spread, the price of your stock must rise enough to make up for the compensation that the dealer charged you when it first sold you the stock. Then, when you want to resell the stock, a dealer again will charge compensation, in the form of a markdown. The dealer subtracts the markdown from the price of the stock when it buys the stock from you. Thus, to make a profit, the bid price of your stock must rise above the amount of the original spread, the markup, and the markdown.

Primary offerings. Most penny stocks are sold to the public on an ongoing basis. However, dealers sometimes sell these stocks in initial public offerings. You should pay special attention to stocks of companies that have never been offer to the public before, because the market for these stocks is untested. Because the offering is on a first-time basis, there is generally no market information about the stock to help determine its value. The federal securities laws generally require broker-dealers to give investors a "prospectus" which contains information about the objectives, management, and financial condition of the issuer. In the absence of market information, investors should read the company's prospectus with special care to find out if the stocks are a good investment. However, the prospectus is only a description of the current condition of the company. The outlook of the startup companies described in a prospectus often is very uncertain.

Monthly account statements. In general, your brokerage firm must send you a monthly statement that gives an estimate of the value of each penny stock in your account, if there is enough information to make an estimate. If the fim1 has not bought or sold any penny stocks for your account for six months, it can provide these statements every three months.

A written statement of your financial situation and investment goal. In general, unless you have had an account with your brokerage firm for more than one year, or you have previously bought three different penny stocks from that firm, your brokerage firm must send you a written statement for you to sign that accurately describes your financial situation, your investment experience, and your investment goals, and that contains a statement of your written consent to buy the penny stock.

Legal remedies. If penny stocks are sold to you in violation of your rights listed above, or other federal or state securities laws, you may be able to cancel your purchase and get your money back. If the stocks are sold in a fraudulent manner, you may be able to sue the persons and firm that caused the fraud for damages. If you have signed an arbitration agreement, however, you may have to pursue your claim through arbitration. You may wish to contact an attorney. The SEC is not authorized to represent individuals in private litigation.

However, to protect yourself and other investors, you should report any violations of your brokerage films duties listed above and other securities laws to the SEC, FINRA, or your state securities administrator. These bodies have the power to stop fraudulent and abusive activity of salesperson and firms engaged in the securities business. You can contact the FINRA Support Center at (301) 590-6500 or visit the FINRA website at finra.org. You may also contact the SEC with complaints at (202) 272-7440.

For more information concerning penny stocks and the risks involved with them, please visit the SEC's website at https://www.sec.gov/reportspubs/investor-publications/investorpubsmicrocapstock.