



LOW-PRICED SECURITY RISK DISCLOSURE

This disclosure document is provided to inform customers about the risks associated with trading low-priced securities, also known as penny stocks. Low-priced securities typically carry a higher level of risk compared to securities traded on major exchanges. At Light Horse, we believe it is essential that you fully understand these risks before engaging in such trades.

Definition of Low-Priced Securities

Low-priced securities, often referred to as penny stocks, are typically shares issued by smaller companies that trade for less than \$5.00 per share. These securities may be traded on over-the-counter (OTC) markets such as the OTC Bulletin Board (OTCBB) or OTC Link, as well as on smaller exchanges. In some cases, low-priced securities may also be traded on exchanges. Some securities issued by private companies without active trading markets may also be classified as low-priced securities.

Risks Associated with Low-Priced Securities

Risk of low liquidity.

Low-priced securities generally have lower trading volumes compared to securities listed on major exchanges. This can make it difficult to buy or sell shares at desired prices, potentially leading to large price fluctuations. In extreme cases, you may not be able to sell your shares at all.

Price volatility.

Due to limited trading activity and the speculative nature of low-priced securities, their prices can fluctuate significantly in a short period of time. These price swings can occur without any fundamental changes in the underlying company's performance, increasing the unpredictability of your investment.

Lack of public information.

Unlike larger companies, issuers of low-priced securities are not always required to file regular reports with the SEC. As a result, it can be difficult to obtain accurate and reliable information about these companies. This lack of transparency can lead to misinformed investment decisions and increase the risk of fraud.

Potential for fraud and manipulation.

Low-priced securities are more susceptible to fraud, including schemes such as "pump and dump." In such schemes, promoters falsely inflate the stock price through misleading statements or exaggerated claims, only to sell off their shares once the price has increased, leaving unsuspecting investors with devalued shares. Be cautious of unsolicited



communications, advertisements, and reports that promote low-priced securities as "can't-miss" investment opportunities.

Dilution risk.

Companies that issue low-priced securities may be more likely to offer additional shares in the future to raise capital. This can dilute the value of your holdings, meaning that even if the company performs well, the value of your shares could still decrease due to an increase in the overall number of shares available on the market.

Increased risk of insolvency.

Companies issuing low-priced securities may be smaller or less established, with higher risks of financial instability or insolvency. This may result in the company going bankrupt, which could cause you to lose your entire investment.

Execution risks.

Orders to buy or sell low-priced securities may not execute at the expected price, or may only partially execute due to limited market activity. In some cases, orders may fail to execute at all. Investors should be prepared for delays and discrepancies between quoted prices and the actual prices at which their trades are executed.

Margin trading risks.

Purchasing low-priced securities on margin significantly increases your risk. In volatile markets, you may be required to meet margin calls (by depositing additional funds into your account) to avoid the forced sale of securities at a loss. Because of the speculative nature of low-priced securities, trading them on margin can result in losses that exceed your initial investment.

Regulatory oversight and rules.

The SEC and FINRA have established rules and guidelines aimed at protecting investors in low-priced securities. It is important for investors to familiarize themselves with these rules before trading. Notable regulations include Exchange Act Section 15(h), Exchange Act Rule 3a51-1, and Rules 15g-1 through 15g-100, which are designed to prevent abusive practices related to low-priced securities.

Conduct thorough research.

Prior to investing in any low-priced securities, it is crucial that you perform extensive research on the issuer, including reviewing available financial statements, press releases, and regulatory filings (if available). Be wary of unsolicited offers or promotions regarding low-priced securities.

Be prepared for the possibility of losing your entire investment.



Due to the speculative nature of low-priced securities, it is possible that you could lose all or a significant portion of your investment. Customers should only invest money they are willing to lose when trading in these types of securities.

Light Horse Requirements.

You must be qualified for margin and have a margin approved and enabled account to trade securities under \$1.00 USD. You must keep a balance of \$2,000 or greater to open positions in a margin account.

It is essential to carefully consider whether trading in low-priced securities is suitable for your investment objectives and risk tolerance. By understanding and accepting the risks outlined in this disclosure, you can make more informed decisions when participating in these speculative markets.

For more information on the risks of low-priced securities, please refer to the SEC's [Microcap Stocks: A Guide for Investors](#)