

## uSMART RISK DISCLOSURE STATEMENT

### U.S. OTC STOCKS TRADING

This additional risk disclosure contains important information regarding the characteristics and risks associated with trading in over-the-counter (“**OTC**”).

#### **What is OTC stock?**

OTC stocks are speculative and involve a high degree of risk, because they are not subject to the financial reporting standards or disclosure requirements. Reliable information regarding issuers of OTC stocks, their prospects, and risks associated with the business of any particular issuer or an investment in the issuer's stocks may not be available. Hence, it may not be easy to accurately value an investment in OTC stocks. OTC stocks are for professional and sophisticated investors with a high risk-tolerance for trading stocks with limited information available and limited regulatory oversight. Some OTC stocks are typically penny stocks, low-priced shares of small companies or shell companies, shares of distressed companies (normally, they are not willing or unable to disclose information), delisted symbols, or foreign equity issues unqualified to list on NYSE or NASDAQ.

#### **What is a “Penny” stock?**

Generally, penny stocks are low-priced shares of small companies that are not traded on an exchange or quoted on NASDAQ. Penny stocks generally are traded over-the-counter, such as on the OTC Bulletin Board or Pink Sheets, and are historically more volatile and less liquid than other equities. For these and other reasons, penny stocks are considered speculative investments and you should be prepared for the possibility that you may lose your entire investment, or an amount in excess of your investment if you purchases penny stocks on margin.

#### **Risk Associated with OTC Stock**

Before investing in an OTC stock, you should thoroughly review the company issuing the OTC stocks. In addition, you should be aware of certain specific risks associated with trading in OTC stocks, including but are not limited to the following:

1. **You can lose all or much of your investment (including principal invested) trading OTC stocks.** All investments involve risks, but OTC stocks are among the riskiest and are generally not appropriate for investors with low risk tolerance (e.g., investment object as Preservation only). Many OTC stock companies are new and do not have a proven track record. Some OTC 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. OTC stock companies therefore have a greater risk of failure and if you invest in OTC stocks, you will have a greater risk that you may lose some or all of your investments.

2. **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 OTC stock companies and OTC stocks do not list their shares on exchanges and are not subject to these minimum standards.
3. **Lack of publicly available information.** Most largely, 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 addition, these companies provide their financial information and operational results online. In contrast, information about OTC 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.
4. **OTC stocks can be subject to scams.** OTC stocks are frequent vehicles for scams and/or market manipulation due to their generally lower prices and less stringent listing requirements. Dealers may dominate the market and set prices that are not based on competitive forces. Individuals or groups may create fraudulent and control the sudden sharp increase or fall in share price and trading volume. You should be wary of advertisements, unsolicited emails, newsletters, blogs, tweets, Facebook/Instagram postings or other promotional reports that emphasize the potential for large profits in OTC stocks generally or certain OTC stocks. These promotional materials are often used to manipulate or “pump up” the price of OTC stocks before selling a large volume of shares. Prior to investing, you are therefore strongly encouraged to do your own due diligence with respect to any OTC stock company you invest in and to not rely on any outside promotional reports, newsletters, marketing materials.
5. **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 of the security is more liquid. OTC stocks are often traded infrequently

and have lower liquidity. Therefore, you may have difficulty selling OTC stocks within a reasonable period of time once you own them. Furthermore, because it may be difficult to find quotations for certain OTC stocks, they may be difficult, or even impossible, to accurately price.

6. **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, OTC stocks are subject to greater volatility and price swings. Your order to purchase or sell an OTC 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 OTC stock you obtain can vary significantly over time.

### **Trading OTC Stocks with uSMART**

The minimum trading unit is 1 share. You can only trade OTC stocks during regular trading hours that last from 9:30 AM to 16:00 PM US Eastern Standard Time. Pre-market and extended trading are not available. On half trading day, the trading hours will last from 9:30 AM to 14:00 PM US Eastern Standard Time.

Real-time quotation for OTC stocks is not available, hence the quotes displayed are 15 minutes delayed. You must understand that your order may be delayed due to large order volume. For some OTC stocks, additional fees may be charged to your trading account due to transfer and custody issues.

Currently, you may only place market order and limit price order when trading OTC stocks. The available order types may be updated from time to time without giving prior notice to you.

uSMART does not solicit or recommend transactions in OTC stocks. Given your trading account with uSMART is self-directed, please perform your own due diligence and suitability assessment before investing in any stock. You may refer to uSMART official website for the related commission fees.

You may refer to <https://www.otcm Markets.com> and SEC's website at <http://www.sec.gov/investor/pubs/microcapstock.htm> for more information on OTC stocks and/or the risks involved in trading them.