

## **Important Information on Penny Stocks**

The U.S. Securities and Exchange Commission (SEC) requires your broker to give this statement to you before your first trade in a penny stock, and to obtain your signature to show that you have received it. This statement contains important information which should be read carefully before you sign it, and before you decide to purchase or sell a penny stock.

In addition to obtaining your signature, the SEC requires your broker to wait at least two business days after sending you this statement before executing your first trade to give you time to carefully consider your trade.

### **Penny stocks can be very risky.**

Penny stocks are low-priced shares of small companies. Penny stocks may trade infrequently – which means that it may be difficult to sell penny stock shares once you have them. Because it may also be difficult to find quotations for penny stocks, they may be impossible to accurately price. Investors in penny stock should be prepared for the possibility that they may lose their whole investment.

While penny stocks generally trade over-the-counter, they may also trade on U.S. securities exchanges, facilities of U.S. exchanges, or foreign exchanges. You should learn about the market in which the penny stock trades to determine how much demand there is for this stock and how difficult it will be to sell. Be especially careful if your broker is offering to sell you newly issued penny stock that has no established trading market.

The securities you are considering have not been approved or disapproved by the SEC. Moreover, the SEC has not passed upon the fairness or the merits of this transaction nor upon the accuracy or adequacy of the information contained in any prospectus or any other information provided by an issuer or a broker or dealer.

### **Information you should get.**

In addition to this statement, your broker is required to give you a statement of your financial situation and investment goals explaining why his or her firm has determined that penny stocks are a suitable investment for you. In addition, your broker is required to obtain your agreement to the proposed penny stock transaction.

***Before you buy penny stock***, federal law requires your Financial Professional (FP) to tell you the “offer” and the “bid” on the stock, and the “compensation” the FP and the firm receive for the trade. The firm also must send a confirmation of these prices to you after the trade. You will need this price information to determine what profit or loss, if any, you will have when you sell your stock.

The offer price is the wholesale price at which the dealer is willing to sell stock to other dealers. The bid price is the wholesale price at which the dealer is willing to buy the stock from other dealers. In its trade with you, the dealer may add a retail charge to these wholesale prices as compensation (called a “markup” or “markdown”).

The difference between the bid and the offer price is the dealer's "*spread*." A spread that is large compared with the purchase price can make a resale of a stock very costly. To be profitable when you sell, the bid price of your stock must rise above the amount of this spread *and* the compensation charged by both your selling and purchasing dealers.

*Remember that if the dealer has no bid price, you may not be able to sell the stock after you buy it and may lose your whole investment.*

Additional information about low-priced securities – including penny stocks – is available on the SEC's Web site at <http://www.sec.gov/investor/pubs/microcapstock.htm>. In addition, your broker will send you a copy of this information upon request. The SEC encourages you to learn all you can before making this investment.

### **Brokers' duties and customer's rights and remedies.**

Remember that your Financial Professional is not an impartial adviser – he or she is being paid to sell you stock. Do not rely only on the Financial Professional, but seek outside advice before you buy any stock. You can get the disciplinary history of a Financial Professional or Firm by visiting <https://brokercheck.finra.org/> or contacting FINRA at 1-800-289-9999. You can also get additional information from your state securities official. The North American Securities Administrators Association, Inc. can give you contact information for your state. You can reach NASAA at (202) 737-0900 or via the Internet at [www.nasaa.org](http://www.nasaa.org).

If you have problems with a Financial Professional, contact the firm's compliance officer. You can also contact the securities regulators listed above. Finally, if you are a victim of fraud, you may have rights and remedies under state and federal law. In addition to the regulators listed above, you also may contact the SEC with complaints at [www.SEC.gov](http://www.SEC.gov).



## ACKNOWLEDGMENT OF RECEIPT-IMPORTANT INFORMATION ON PENNY STOCKS

This is an acknowledgment that I have received, read, and fully understand the risks associated with low-priced, speculative stocks as described in the Important Information On Penny Stocks document.

I am also aware that Avantax Investment Services<sup>SM</sup> does not permit the solicitation of Penny Stocks and that all transactions are executed on an unsolicited basis.

Account Number: \_\_\_\_\_

Client Name(s):

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Client Signature(s):

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**Please return this form to:**

Avantax Investment Services<sup>SM</sup>  
Attn: Trading Department  
3200 Olympus Blvd  
Dallas, TX 75019  
Fax: (800) 991-8378

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