



**DISCLOSURE
MARKET VOLATILITY**

Increased market volatility can result in record setting volume as well as extreme market conditions (sometimes called “fast markets” or “break out” market conditions). It is important for investors to understand the risks associated with such extreme market conditions. Technological advancements have enabled clients under normal market conditions to receive accurate real-time market data and to receive execution of their market orders almost immediately.

Under certain market conditions, clients trading in volatile stocks may flood their brokers with orders and, in turn, the exchanges may experience an extreme volume of orders, typically on the same side of the market (i.e., all buy or all sell orders). Similarly, significant price discrepancies may exist between the quote received by the customer and the price at which the trade is executed. In addition, the number of shares available at a certain price (known as the size of a quote) may change rapidly, affecting the likelihood of a quoted price being available to the customer. Enhanced risk exists in this market environment for investors who employ short-term strategies such as day trading.

During these volatile conditions, Apex may implement special order handling procedures to maintain a fair and orderly market and thereby protect both the investor and the firm from market risk. For example, firms may suspend automated execution systems and handle orders manually, executing client orders on a first come first serve basis. While these procedures are designed to provide orderly execution of client orders in high volume environments, the result may be a significant delay in execution. These delays can cause a client’s market order to be executed at a price substantially different from that of the quote given at the time of order entry. Moreover, the executions of orders entered prior to your order can significantly move the market and effect the price at which your order will be executed. Additionally, firms may restrict, again without prior notice, the types of orders it will accept for certain volatile issues.

Remember that because market orders must be executed as promptly as possible, it may not be feasible to cancel a market order since it may have already been executed but not yet reported. Many investors, thinking that their market order has not been executed, attempt to cancel and then, thinking that the original order has been canceled, re-enter another order. This also involves significant risk because frequently the client receives an unwanted execution of both orders.

In times of high market volatility, customers trading on-line may have difficulty accessing their accounts due to high Internet traffic or because of systems capacity limitations. When on-line trading has been disabled or is not available because of systems limitations, customers may have difficulty reaching account representatives on the telephone during periods of high volume. While every effort is made to ensure the availability of electronic systems, no guarantee of access can be made during periods of exceptionally heavy activity. In addition, system response and account access times may vary, or service may be interrupted due to other conditions, including system performance, Internet traffic levels and other factors.