



DISCLOSURE EVENT CONTRACT RISK STATEMENT

An “Event Contract” is a derivative contract whose payoff is based on a specified event, occurrence, or value such as the outcome of a sporting event, the value of a macroeconomic indicator, corporate earnings, the level of snowfall, or the dollar value of damages caused by a hurricane. Trading in Event Contracts involves substantial risk and is not suitable for many members of the public.

Your trading of Event Contracts and the clearing of such contracts through Apex Clearing Corporation (“Apex”) constitutes your acknowledgment that you have read this Event Contracts Risk Disclosure Statement (this “Disclosure Statement”), understand the information and potential risks described herein, and accept the risks associated with trading Event Contracts. Further, you acknowledge that many of the risks associated with trading futures and exchange-traded options, as described in the Apex Futures & Exchange-Traded Options Risk Disclosure Statement, also apply to trading Event Contracts, and that the description of such risks in that disclosure statement is incorporated by reference in this Disclosure Statement. In the event of any inconsistency between this Disclosure Statement and any other risk disclosure, this Disclosure Statement will govern with respect to Event Contracts.

This Disclosure Statement does not disclose all of the risks and other aspects of trading Event Contracts. As with any product, you should familiarize yourself with the potential benefits and risks of trading Event Contracts and consider carefully whether trading Event Contracts is suitable for you in light of your experience, objectives, financial resources, and other relevant circumstances prior to trading in such products. Apex does not provide investment, legal, regulatory, or tax advice with respect to Event Contracts and does not evaluate whether trading Event Contracts is appropriate for you. You should undertake transactions in Event Contracts only if you understand the nature of these contracts, including the contractual relationships involved, and the extent of your exposure to risk.

EVENT CONTRACTS

Event Contracts are a type of standardized derivative contract whose value is based on the occurrence, non-occurrence, or extent of occurrence of a specific event at or before a specified time. The types of events underlying an Event Contract may vary widely. For example, Event Contracts may be based on the official value of an economic indicator such as the Consumer Price Index on a specified date, the aggregate amount of insurance claims tied to a weather event, or the outcome of a specific event, such as a sporting event.

Event Contracts may be structured as cash-settled “binary options” with a fixed payment amount at final settlement and presented as the opportunity to buy a “yes” or “no” option. The current market price for the option premium to acquire a “yes” or “no” position in such an Event Contract reflects the market’s assessment of the probability of the underlying event occurring or not occurring. For example, if an Event Contract has a notional value of \$100 and the current market price to acquire a “yes” position is \$40, that reflects a market view of a 40% probability that the event will occur. Event Contracts may also be structured with a variable payout structure.

Event Contracts typically are fully collateralized and cannot be purchased on margin, meaning that you will be required to post the full value of the Event Contract up front, covering your maximum loss exposure on the position. Once posted, such collateral generally will not be available for withdrawal while a position remains open.

The full collateralization requirement is an important distinction between Event Contracts and traditional futures contracts, for which positions may be carried on a margined basis, resulting in “leveraged” exposure to the interests underlying the contract. Event Contracts also typically are not subject to daily variation margin or daily settlement of gains and losses, meaning there is no periodic pass-through of profits and losses between buyers and sellers as the market value of the Event Contract changes over time. As a result, Event Contracts generally do not require the deposit of additional funds to maintain an existing position.

Once you have fully margined a position in an Event Contract, you will owe no further amount on the position, but the entire amount of your margin is subject to the risk of loss. You may be required to have the full amount of margin required for a position in an Event Contract on deposit with your broker before you will be allowed to establish a position in that Event Contract.

Event Contracts are cleared through a derivatives clearing organization (“DCO”). Upon acceptance for clearing, a transaction may be novated such that the DCO becomes the counterparty to the traders on both sides of the transaction. If a transaction is rejected for clearing for any reason, the transaction may be deemed void from inception, and any related positions, gains, or expected settlement amounts may not be realized. The rights and obligations of market participants with respect to cleared Event Contracts are subject to the rules of the applicable DCO, which may differ from customer expectations.

REGULATORY CONSIDERATIONS

Event Contracts covered by this Disclosure Statement have been classified by the Commodity Futures Trading Commission (“CFTC”) as cleared “swaps” for purposes of the Commodity Exchange Act and the CFTC’s regulations. Cleared swap transactions are subject to a number of regulatory requirements, including reporting and record-keeping requirements. Although the exchanges on which Event Contracts are traded and the DCOs through which Event Contracts are cleared may have obtained “no-action” or similar relief from those requirements on behalf of participants, that relief may not eliminate all regulatory reporting and record-keeping requirements for participants. Further, the regulatory relief may be subject to conditions, the fulfillment of which is not within your control, and the scope of the relief or the underlying regulations may change over time. You should familiarize yourself with the regulatory requirements associated with trading Event Contracts before trading them.

EVENT CONTRACT RISKS

Potential Total Loss of Funds to Support an Event Contract Position

If the outcome of the event underlying an Event Contract with a binary payout structure is unfavorable to the “yes” or “no” position taken by the long position holder, the long position holder will lose the entire premium paid, unless the position is liquidated (*i.e.*, offset) prior to the contract’s expiration. There is no assurance that a position can be offset prior to expiration. If the outcome is favorable to the long position holder and unfavorable to the short position holder, the short position holder likewise will lose the full amount of the margin it is required to maintain in its account to carry the position. Event Contracts with a variable payout structure similarly may expose the holders of both long and short positions to significant losses, up to and including the total loss of margin deposits.

Market Risk

The outcome of an Event Contract cannot be known in advance. Market participants’ expectations may not match the outcome of the event, which can lead to unexpected losses. Market participants should be prepared for the possibility of losing their entire investment. Changes in the likelihood of an underlying event may not necessarily result in a change in the price of the Event Contract, which could prevent a customer from offsetting an existing position at a profit.

Speculation Risk

Event Contracts are frequently used by market participants for speculative purposes. Speculation involves taking positions based on expectations regarding the occurrence or non-occurrence of an event and may involve a high degree of risk.

Because Event Contracts may have binary or variable payout structures and relatively short durations, speculative trading in Event Contracts may result in rapid and substantial losses, including the loss of the entire amount invested. Event Contracts are not designed to be risk-free investments and speculative strategies may amplify losses rather than mitigate risk. Customers should ensure that they are able to withstand losses that may result from speculative trading in Event Contracts.

Price Risk

The prices of Event Contracts are dependent on the market’s expected probability of events occurring, which makes traditional derivative-pricing models inapplicable to trading in Event Contracts. Event Contract prices may not always reflect the actual probabilities of an event occurring, which can lead to unexpected losses for market participants.

Volatility Risk

The prices of Event Contracts may be highly volatile and may change rapidly in response to news, announcements, data releases, market sentiment, or developments related to the underlying event. Price movements may be sudden and discontinuous rather than gradual and may not reflect the ultimate outcome of the underlying event.

Rapid or extreme price fluctuations may increase the risk of losses, make it difficult to enter or exit positions at desired prices, and result in positions being valued materially differently from a customer's expectations.

Liquidity Risk

Event Contracts may have varying levels of liquidity. Limited liquidity could make it difficult for a market participant to enter or exit positions at desired prices, could lead to adverse price movements, and could make it difficult or impossible to close positions. In some circumstances, you may be unable to close a position prior to expiration.

In certain cases, the outcome of an Event Contract may become apparent to market participants before the contract's expiration, which may cause liquidity in the opposing position to decline significantly or disappear entirely, even if time remains before expiration. There is no assurance that sufficient liquidity will be available to permit a customer to exit a position at any time or at a favorable price.

Fungibility and Offsetting Risk

Event Contracts are exchange-specific instruments and are not fungible with, transferable to, or interchangeable with contracts or positions listed on any other exchange or trading venue, even if such contracts reference the same or a similar underlying event.

A position in an Event Contract may generally be offset or closed only by entering into an opposing position in the same Event Contract on the same exchange prior to expiration, subject to market liquidity and applicable rules. You may not offset, net, or hedge an Event Contract position by entering into a similar or opposite position on another exchange, in another market, or through a different product.

As a result, attempts to manage risk through transactions in Event Contracts or similar event-based products listed on different exchanges or platforms may be ineffective or may increase risk.

Outcome Determination Risk

The value of an Event Contract depends on the outcome of the underlying event, typically as reported by one or more third-party sources or determined in accordance with applicable exchange rules. Event Contracts are not limited to underlyings based on tradable financial instruments and may reference a wide range of events, occurrences, or values, including economic indicators, governmental or regulatory actions, weather events, or other real-world outcomes.

Market participants may be exposed to risk if a third-party source experiences a data security breach, reports inaccurate or incomplete data, does not report data when expected, or reports data that is subject to interpretation or dispute.

In certain circumstances, the exchange may have discretion under applicable rules to interpret contract terms, determine the final outcome of an event, modify contract specifications, change

the expiration date, or determine settlement values, including where the outcome is ambiguous, disputed, or data is unavailable. Such determinations may involve judgment calls, may differ from a market participant's understanding of the underlying event or from common or colloquial usage of terms, and may be final and binding even if controversial or contested. As a result, settlement outcomes may differ from a customer's expectations and may result in losses.

The application of exchange procedures to address disputes, ambiguities, or data issues may delay settlement and the availability of funds.

Arbitrage

Arbitrage strategies generally involve the simultaneous buying and selling of related financial instruments in different markets in an attempt to take advantage of perceived pricing discrepancies. Certain Event Contracts reference macroeconomic or other events that may also affect the prices or performance of other financial products. As a result, some market participants may seek to take positions in Event Contracts while simultaneously taking positions in other financial products they believe are related to the underlying event.

Apex makes no claim, representation, or guarantee regarding the existence, persistence, or effectiveness of any arbitrage opportunity involving Event Contracts, including any relationship between the outcome or pricing of an Event Contract and the price or performance of any other financial product. Differences in market structure, liquidity, timing, settlement mechanics, and regulatory treatment may cause Event Contract prices and other financial products to diverge in unexpected ways, which may result in losses rather than profits.

Trading Halt Risk

Exchanges have the authority to initiate trading halts in certain circumstances, such as where market irregularities are observed, to prevent or reduce the potential risk of price distortions or market disruptions, or if a trading halt is otherwise deemed to be in the interest of market participants. The CFTC can also direct an exchange to initiate a trading halt.

In addition, under applicable exchange rules, emergency circumstances may permit the exchange to take actions including suspending or curtailing trading, canceling contracts or trades, modifying contract terms or expiration dates, imposing position restrictions, liquidating positions, or taking other actions deemed necessary to protect market integrity. Such actions may occur without prior notice and may result in losses or outcomes that differ from a customer's expectations.

Trading halts or emergency actions may prevent market participants from entering into or exiting positions and may be followed by forced settlement, liquidation, cancellation, or other actions determined by the exchange, which could adversely affect a customer's positions, funds, portfolios, or trading strategies.

FCM Risk

You will be exposed to risks associated with Apex, as your futures commission merchant ("FCM"), including the risk of failure of Apex's hardware and software, the bankruptcy of Apex, and Apex failing to provide exchanges with adequate funds to guarantee its customers' bids. These

risks may result in bids (including offsetting bids) not being executed according to the market participant's instructions or not being accepted. Apex does not guarantee execution, liquidity, or the ability to offset positions.

Clearinghouse Risk

You are also exposed to risks associated with the DCO through which Event Contracts are cleared, including the risk of DCO operational failures, default management actions, or insolvency. The DCO's rules govern the handling, investment, and use of collateral posted in connection with cleared Event Contracts, as well as the allocation of losses in the event of a default. There is no assurance that customer funds will be fully recoverable in the event of a DCO default or insolvency.

Litigation and Regulatory Risk

The legal and regulatory landscape for Event Contracts—including sports-related Event Contracts—continues to evolve and remains subject to ongoing and potential future state and federal actions, including enforcement proceedings and private litigation. Certain courts and state regulators have taken the position that state gambling, wagering, and gaming laws may apply to sports-related Event Contracts listed on CFTC-registered trading venues. As a result, and notwithstanding any federal regulatory framework, there is a meaningful risk that state authorities or courts could determine that some Event Contracts are unlawful to list, offer, clear, trade, or hold, or could otherwise restrict activity in these products. Such determinations may apply to existing, open, or previously cleared positions. These developments may occur with little or no advance notice.

In light of these risks, customers should understand that regulatory actions or litigation—whether pending, threatened, or newly initiated—could materially affect their open positions and funds. Such actions could lead to, among other outcomes, trading halts, accelerated terminations, mandatory liquidations or close-outs, cancellations of transactions, or other interventions by an exchange, DCO, regulator, or court. These outcomes could adversely affect pricing, prevent customers from entering or exiting positions, or require positions to be closed at prices or times not of the customer's choosing. There is no assurance that affected positions can be offset at anticipated prices, or at all, and customers may incur losses up to the total amount invested in a position as well as associated fees or costs.

Other Risks

There may be unforeseen operational risks associated with human errors, systems failures, cyberattacks, or inadequate procedures and controls that could impact the success of market participants trading Event Contracts. If any of these events occur, it could result in losses for customers.