Notice to Online Traders

In 1999, the then-Chairman of the SEC, Arthur Levitt, released a public statement about trading and investing via the Internet. Mr. Levitt acknowledged the positive aspects of how the Internet and new technologies have enabled lower transaction costs and faster access to the financial markets. At TradeStation, we want to remind our customers not to allow the ease and speed with which they can trade to lull them into a false sense of security or encourage them to trade too quickly or too often. Trading or investing in the stock market – however one does it and however easy it may be to execute those trades – will always contain risk.

Mr. Levitt summed it up with three golden rules: (1) know what you are buying; (2) know the ground rules under which you decide to buy or sell a stock or other security; and (3) know the level of risk you are undertaking. Our customers and prospective customers should remember that it is just as easy to lose money through the click of a mouse as it is to make it. Most people that jump into trading without a plan lose money. For most individuals, the stock market should be a place to invest, not actively trade. The technology available at TradeStation is in many respects similar to that which is used by professional traders. Retail investors should exercise caution before attempting to imitate the style of trading and assuming the risks undertaken by market professionals.

That is why the philosophy at TradeStation is "do your homework" and have a well-thought-out plan before you begin. Some of the elements of a sound plan may include: (1) creating a systematic approach to trading; (2) placing limits on the amount of money you are willing to put at risk; (3) using the latest technology to reduce emotion in your trading decisions; and (4) taking advantage of the most efficient forms of execution.

Regardless of the system used, every Internet trader or investor should be aware of the effects of systems downtime, the enormous price volatility of many stocks, the possible negative results of using margin accounts (Margin Disclosure Statement), and the risks associated with active trading. Risks of Active Trading.

System downtime can affect anyone conducting business over the Internet; among other things, trades might not be executed at all or trade executions could be at prices significantly different from the price quoted at the time the order was entered. There is a variety of reasons why a user could experience delays or failures in order placements, order cancellations, trade executions or trade reports. Among them are: increase in volume and demand beyond system capacity; errors or defects in the software or the data services; Internet service providers having technical problems; communications lines problems or failures; satellite dish problems or failures; extended power outages; and sabotage created by hackers. The point we are making is that no system is perfect. Delays and failures are risks that you must assume. In using our systems, you accept that solely you are taking those risks, and that we cannot be held responsible by you if they occur, regardless of the reason. To put it plainly, you should not always expect high-speed order placements, cancellations, executions and reporting. We recommend that you have a back-up plan to place, cancel, execute and confirm orders if you encounter problems using Internet software and systems.

You should also be aware of the risks associated with trading in a rapidly-moving and sometimes volatile market and make sure that you think about how to limit your risk. For example, volatility can significantly affect your execution price if you are placing market orders. In other words, just because you see a price on your computer screen doesn't mean that you will get that price. To avoid buying or selling a stock at a price higher or lower than is acceptable to you, you might consider using limit orders rather than market orders. A limit order is an order to buy or sell a security at no higher or lower than a specified price. However, using a limit order often results in the trade executions failing to occur. As you can see, trading, and particularly active online trading, is complex. You must understand what you are doing and the risks you are taking before you decide to trade.

You should also fully understand the risks associated with using a margin account. Margin Disclosure Statement. When you buy stock on margin, you are borrowing money and pledging the securities in your account as collateral. In volatile markets, investors who have put up an initial margin payment (i.e., borrowed funds) for a stock may find themselves being required to provide additional cash (maintenance margin) if the price of the stock subsequently falls (a margin call). A brokerage firm has the right without notice to force the sale of securities (i.e., the collateral) chosen by the brokerage firm from the investor's account and charge any loss to the customer, possibly causing a loss greater than the initial investment. The brokerage firm can increase margin requirements at any time and is not required to grant an extension on any margin call. It is important for our customers to understand these concepts before they decide to trade on margin.

TradeStation was founded to provide the most efficient execution possible to active traders. Along with our high-powered technology comes your responsibility to "do your homework" and have a plan before you begin trading on your own.

Sincerely yours,

Peter Korotkiy

President and Chief Operating Officer

TradeStation Securities, Inc.