Day Trading Risk Disclosure

This Day Trading Risk Disclosure Statement is being provided to you in the event your M1 Finance margin account becomes, or already is, classified as a Pattern Day-Trader account. M1 Finance DOES NOT PROMOTE DAY TRADING. Investors should consider their investment objectives and risks carefully before investing. If a customer engages in day trading, the following rules apply.

Day Trading Rules

<u>Definition</u>

Day trading refers to buying then selling or selling short then buying the same security on the same day. Just purchasing a security, without selling it later that same day, would not be considered a day trade.

Customers are considered to be engaging in Pattern Day Trading if they execute four or more stock or options day-trades within a five-day period in a margin account.

<u>Minimum Account Equity</u>

If the trading activity in your account results in a “Pattern Day-Trader” designation, you must maintain at least $25,000 in start of day account equity in order to maintain day-trading privileges.

If a call to bring the account equity to the minimum amount is issued for your account, the following will apply:

- The account will be prohibited from performing day trades; and
- The account will not be able to close positions opened that day until the next business day.

If a day trade is performed while a call to bring the account equity to the minimum amount is issued, the account will be restricted to closing transactions only until the account equity satisfies the minimum requirement or 90 days from the last day-trading activity.

<u>Day-Trading Buying Power</u>

If a customer’s account meets or exceeds the minimum Pattern Day Trade equity requirement, it may be eligible to use “Day-Trading Buying Power”. “Day-Trading Buying Power” means the equity in a customer's account at the close of business of the previous day, less any maintenance margin requirement as established by M1 Finance or New York Stock Exchange/FINRA guidelines, multiplied by up to four for equity trades.

These rules apply to Pattern Day Trading:

- Day-Trading Buying Power can only be used intra-day.
- Positions purchased using Day-Trading Buying Power must be closed by the close of the market on the same day.
- You may still hold positions past market close if their aggregate value does not exceed your regular buying power.
- Performing a day trade with funds in excess of your Day-Trading Buying Power will result in a day-trading call which must be met promptly. Until the day-trading call is met, your account will be restricted to Day-Trading Buying Power of two times the maintenance margin excess. If the day-trading margin call is not met by the fifth business day, the account will be further restricted to trading only on a cash available basis for 90 days or until the call is met.

Violations of these rules may result in a 90-day restriction being placed on your account. As a consequence of this restriction, you may not be able to place trades online.

Please click here to read FINRA's investor guidance, which provides information about day trading margin requirements.

Day-Trading Risk Disclosure Statement

You should consider the following points before engaging in a day-trading strategy. For purposes of this notice, a "day-trading strategy" means an overall trading strategy characterized by the regular transmission by a customer of intra-day orders to effect both purchase and sale transactions in the same security or securities.

Day trading can be extremely risky. Day trading generally is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance. You should be prepared to lose all of the funds that you use for day trading. In particular, you should not fund day-trading activities with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet your living expenses. Further, certain evidence indicates that an investment of less than $50,000 will significantly impair the ability of a day trader to make a profit. Of course, an investment of $50,000 or more will in no way guarantee success.

Be cautious of claims of large profits from day trading. You should be wary of advertisements or other statements that emphasize the potential for large profits in day trading. Day trading can also lead to large and immediate financial losses.

Day trading requires knowledge of securities markets. Day trading requires in-depth knowledge of the securities markets and trading techniques and strategies. In attempting to profit through day trading, you must compete with professional, licensed traders employed by securities firms. You should have appropriate experience before engaging in day trading.

Day trading requires knowledge of a firm's operations. You should be familiar with a securities firm's business practices, including the operation of the firm's order execution systems and procedures. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. This can occur, for example, when the market for a stock suddenly drops, or if trading is halted due to recent news events or unusual trading activity. The more volatile a stock is, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may experience losses due to system failures.

Day trading will generate substantial commissions, even if the per trade cost is low. Day trading involves aggressive trading, and generally you will pay commissions on each trade. The total daily commissions that you pay on your trades will add to your losses or significantly reduce your earnings. For instance, assuming that a trade costs $16 and an average of 29 transactions are conducted per day, an investor would need to generate an annual profit of $111,360 just to cover commission expenses.

Day trading on margin or short selling may result in losses beyond your initial investment. When you day trade with funds borrowed from a firm or someone else, you can lose more than the funds you originally placed at risk. A decline in the value of the securities that are purchased may require you to provide additional funds to the firm to avoid the forced sale of those securities or other securities in your account. Short selling as part of your day-trading strategy also may lead to extraordinary losses, because you may have to purchase a stock at a very high price in order to cover a short position.

Potential Registration Requirements. Persons providing investment advice for others or managing securities accounts for others may need to register as either an "Investment Adviser" under the Investment Advisers Act of 1940 or as a "Broker" or "Dealer" under the Securities Exchange Act of 1934. Such activities may also trigger state registration requirements.