optionsXPRESS by charles SCHWAB Australia

Important Risk Warning

We strongly recommend that you read and understand the information below before making a purchase or sale of penny stocks:

What is a "penny" stock?

Penny stocks are low-priced shares of small companies not traded on an exchange or quoted on NASDAQ. Prices often are not available. Investors in penny stocks often are unable to sell stock back to the dealer that sold them the stock. Thus, penny stocks can be very risky. You may lose your entire investment. Investors should be cautious of newly issued penny stock.

Generally, penny stock is a security that:

- Is priced under five dollars;
- Is not traded on a national stock exchange or on NASDAQ (the NASD's automated quotation system of actively traded stocks);
- May be listed in the "pink sheets" or the NASD OTC Bulletin Board;
- Is issued by a company that has less than $5 million in net tangible assets and has been in business less than three years, by a company that has under $2 million in net tangible assets and has been in business for at least three years, or by a company that has revenues of $6 million for three years.

Use caution when investing in Penny Stocks.

1. **Do not make hurried investment decisions.** The prices and quotes you see online may not reflect the most current market conditions. This is due to the normally thin trading in these securities and is one reason market orders are not recommended for penny stock transactions. Moreover, optionsXpress cannot guarantee the accuracy of any quotation information on our site for penny stock transactions. In addition, limit orders are recommended for entry and exit of such trades due to the lack of bid/ask price transparency involved in the over-the-counter markets.

   You can place penny stock trades on your own using optionsXpress online system. However, sometimes the information you need may not be available for some thinly traded stocks. You may find it easier to get a current quote or place an order through one of our brokers over the phone. To do so, please call **1-888-280-8020**.

2 **Study the company issuing the stock.** Be wary of companies that have no operating history, few assets, or no defined business purpose. These may be sham or "shell" corporations. Read the prospectus for the company carefully before you invest. Some promoters fraudulently solicit investors to buy stock in sham companies, artificially inflate the stock prices, and then cash in their profits before public investors can sell their stock.

3 **Understand the risky nature of these stocks.** You should be aware that you may lose part or all of your investment. Because of large dealer bid/ask price spreads, you may not be able to sell the stock immediately back to the dealer at the same or better price they sold the stock to you. In some cases, the stock may fall quickly in value. New companies, whose stock is sold in an "initial public offering," often are riskier investments

For more information about penny stocks, contact Office of Filings, Information & Consumer Services of the U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, (202) 272-7440.

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