



## IPO RISK DISCLOSURE STATEMENT

This Risk Disclosure statement contains a brief summary of certain risk factors involved in investing in new issue Securities. It is not meant to be all inclusive, but rather highlights some of the more significant factors and special risks relating to initial public offerings (IPOs) and other public offerings generally. For a description of the business, operations, and financial condition of an issuer, and the particular risks arising from an investment in the issuer's securities, you should obtain and carefully read the prospectus prepared by the issuer before making any investment. The information contained herein is not intended as discussion of the merits of a particular offering or investment strategy and should not be construed as a recommendation by Precision Securities to purchase any specific security. You must perform your own evaluation of whether investing in new issue securities generally or purchasing securities in a particular offering is consistent with your investment objectives, risk tolerance, and financial situation.

There are a variety of risk factors typically associated with investing in new issue securities, any one of which may have a material and adverse effect on the price of the issuer's common stock. These include the following:

### **Issuer's Lack of Operating History**

An issuer that engages in an IPO or other public offering may be in the early stages of development with a history of little or no revenues and may operate at a loss following the offering. Such issuers are typically subject to the difficulties, uncertainties, and risks associated with the establishment of a new business such as manufacturing capability, limited product lines, lack of marketing expertise, the existence of more experienced or better capitalized competition, and reliance on a few large suppliers or customers.

No Prior Market for Common Stock; Determination of Offering Price; Potential Volatility. Prior to an IP, there is generally no public market for an issuer's common stock and there can be no assurance that an active trading market will develop or sustained following the IPO. The offering price of securities issued in a new issue offering is typically determined by negotiation between the issuer and its underwriters based on factors such as the history of, and prospects for, the issuer's business and the industry in which it competes, an assessment of the issuer's management, past and present operations, prevailing market and economic conditions, and any other factors deemed relevant. Following the IPO, the market price for the securities may be subject to significant fluctuations in response to numerous factors such as lack of liquidity, general market volatility, and other factors such as lack of liquidity, general market volatility, and other factors unrelated to the operating performance of the issuer.

### **Additional Financing**

An issuer that operates at a loss or with limited cash flow following an IPO will generally be required to secure additional financing in order to fund its operation. If the issuer decides to issue additional equity securities, it is possible that their issuance will result in dilution of the interests of existing shareholders, including those who purchased in the IPO. To the extent that the issuer incurs indebtedness, the issuer will be subject to certain risks including interest rate fluctuations and inability to generate sufficient cash flow to make scheduled payments. In addition, indebtedness generally ranks prior to the common stock of an issuer for purposes of distributing the issuer's assets in the event of bankruptcy. There is also the possibility that the issuer will be unable to locate financing on satisfactory terms or may be required to significantly curtail its operations.

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### **Dependence on Key Personnel**

An issuer is often highly dependent on the services of key technical and management personnel and loss of their services could have a material adverse effect on the issuer's business or operations.

### **Proprietary Rights and Licenses**

Because many issuers depend on proprietary and/or licensed technology in their operations, their success is therefore closely related to their ability to obtain and enforce intellectual property protection for such technology. There exists the possibility that certain patents would not be sufficiently broad to protect key aspects of the issuer's or its licensor's technology, so that competitors would be able to duplicate the issuer's products or that patent laws would not provide effective legal or injunctive remedies to prevent infringement. Patents are also frequently challenged, invalidated, or circumvented by competitors; litigation of patent or infringement claims may result in substantial cost and diversion of resources.

### **Business Expansion**

Rapid and substantial demand for products may lead to delays in filing orders and meeting delivery schedules. Such delays, if recurring, can increase the risk that customers will cancel orders and seek to meet all or a portion of their needs from the issuer's competitors. To the extent that the issuer seeks to expand to meet demand, the costs of doing so may be underestimated.

### **Dependence on Key Suppliers**

Some issuers rely significantly on a limited group of suppliers to obtain product components or materials. If an issuer is unable to obtain sufficient quantities or such components or materials fail to meet specifications, delays or reductions in shipments may result.

### **Dependence on Limited Number of Customers**

An issuer's primary customer base may be limited to a small number of customers, loss of any one of which could have a material adverse effect on the issuer's business and financial condition.

### **Competition**

Most issuers experience significant competition in their product lines from other companies, including larger companies which have access to greater financial, technical, and other resources. It may be difficult for an issuer to continue to make investments necessary to maintain its competitive position.

### **Rapid Technological Change**

Issuers which produce products or engage in manufacturing techniques are subject to technological changes and are susceptible to the risk that future technologies will render those products or technologies obsolete. Such issuers may be unable to develop or introduce new products or enhancements to existing products and processes in a timely manner to achieve market acceptance or satisfy customer needs.

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