# Webull Financial LLC Disclosures Regarding Investments in Fixed Income Securities

These Disclosures Regarding Investments in Fixed Income Securities (these "Disclosures") provide important information regarding certain characteristics of and risks associated with investments in fixed income securities ("bonds"). Webull Financial LLC ("Webull", "we", "us", "our") is furnishing these Disclosures to you ("you") for general informational purposes only.

You acknowledge and agree that (i) each investment in a bond through your Webull brokerage account (your "Webull Account") is a self-directed investment decision and that you are solely responsible for any and all bond investments through your Webull Account, (ii) that neither Webull nor any person acting on behalf of Webull, has provided you with any investment advice regarding any investment in any bond, or made any recommendation to you to buy, sell, or hold shares of any particular bond, (iii) solely by enabling investments in a bond through your Webull Account, Webull shall not be deemed to have made a recommendation to you to buy, sell, or hold shares of any such bond, and (iv) Webull does not guarantee the suitability or appropriateness for you of an investment in any bond.

You acknowledge and agree that, by investing in bonds through your Webull Account, you are subject to the terms of the Customer Agreement (the "Customer Agreement") that you entered into upon creation of your Webull Account (as may be updated from time to time in accordance with its terms), including without limitation the dispute resolution provisions thereof. For the avoidance of doubt, any disputes arising out of or in connection with an investment in any bond through your Webull Account will be subject to the dispute resolution procedures of the Customer Agreement.

You acknowledge and agree that you are solely responsible for determining whether each mutual fund investment is appropriate for you on the basis of your unique financial condition and investment objectives. In connection with such determinations, we recommend that you (i) fully review these Disclosures, (ii) consult any financial, tax, or other advisers you deem appropriate, and (iii) carefully review the terms and conditions of each bond investment, including without limitation its credit rating, maturity, rate, yield, and other terms.

## General Characteristics of Bonds

Bonds are debt securities; financial instruments with defined terms between a borrower (the issuer) and a lender (the bond holder). The terms of different bonds may vary significantly: for example, but not by way of limitation, bonds may be secured or unsecured, bonds may callable prior to maturity (and potentially subject to specified conditions), and bond coupons may be fixed or variable. Bonds are generally issued by banks, corporations, governments or governmental agencies, or other organizations to raise capital, either for general use or for a specified purpose.

Bond issuers generally agree to pay interest periodically to bondholders in exchange for the capital raised while the bonds are outstanding and/or when the bond matures or is retired by the issuer in accordance with its terms. Most bonds have a specified maturity date on which the bond issuer is obligated to pay the bond holder any outstanding interest payments and the bond's face value (also called par value).

Generally, a bond that matures in one to three years is referred to as a short-term bond. Medium- or intermediate-term bonds are generally those that mature in four to 10 years, and long-term bonds are those with maturities greater than 10 years. Not all bonds remain outstanding until their stated maturity. If permitted by their terms, an issuer may "call" or redeem bonds prior to their stated maturity by paying bondholders the principal amount of the outstanding bonds (and complying with any other applicable requirements in accordance with the terms of the bonds).

A bond's coupon—or annual interest—is generally paid out semiannually. The coupon is set at issuance and is generally a percentage of the bond's par value. For instance, a bond with a par value of $1,000 and an annual interest rate of 4.5 percent has a coupon rate of 4.5 percent ($45). An investor in a bond with a $45 annual coupon that pays interest semiannually can expect to receive a $22.50 interest payment twice per year.

## Types of Bonds

Bonds may be issued by a variety of different entities, including without limitation federal, state, and municipal governments, government agencies, corporations, financial institutions, and various international bodies.

FINRA provides comprehensive, real-time access to fixed income security and trade information for many types of bonds listed below. Data is compiled from multiple sources and collected through TRACE (Trade Reporting and Compliance Engine), the facility for mandatory reporting of over-the-counter transactions in eligible fixed income securities.

Below are descriptions of some of the most common types of bonds.

### Corporate Bonds

Companies issue corporate bonds to raise money for capital expenditures, operations and acquisitions. Corporate bonds don't entitle the holder to any ownership rights in the company, though some corporate bonds may be convertible into equity interests in the issuer in accordance with their terms).
Most corporate bonds are issued with maturities ranging from one to 30 years and trade in the over-the-counter (OTC) market.

### U.S. Treasury Securities

U.S. Treasury securities are issued by the U.S. federal government and are backed by the "full faith and credit" of the U.S. government. More information regarding treasury bonds is available on the U.S. Department of the Treasury website (see: About Treasury Marketable Securities — TreasuryDirect).

Treasury securities include:

- Treasury Bills (T-bills): short-term securities with term options ranging from 4 weeks up to 52 weeks.

- Treasury Notes (T-notes): securities issued with maturities of two, three, five, seven or 10 years.

- Treasury Bonds: long-term securities issued with a 20 or 30-year maturity.

- Treasury Inflation-Protected Securities (TIPS): securities issued with maturities of five, 10 and 30 years.

U.S. Savings Bonds

Savings bonds are also issued by the U.S. federal government and backed by the "full faith and credit" of the U.S. government. Unlike many other types of bonds, only the person(s) in whose name a savings bond is registered can receive payment for it. The most common types of U.S. savings bonds, Series I and Series EE bonds, are “accrual securities”, meaning that interest payable in respect of the bonds accrues monthly at a variable rate and is compounded semiannually. Interest income is only paid out upon redemption of the bond.

Separate Trading of Registered Interest and Principal of Securities (STRIPS)

The STRIPS program lets investors hold and trade the individual interest and principal components of eligible Treasury notes and bonds as separate securities. STRIPS can only be bought and sold through a financial institution or brokerage firm, and are held through the commercial book-entry system.

Agency Securities

Agency securities are bonds issued by U.S. federal government agencies (other than the U.S. Treasury) or by U.S. government-sponsored enterprises. Most agency bonds pay a semiannual fixed coupon and are sold in a range of different par values, generally requiring a minimum initial investment of at least $10,000. With the exception of bonds issued by Ginnie Mae, agency securities are not fully guaranteed by the U.S. government and, as a result, may be subject to a greater risk of default than Treasury Bonds.

Municipal Bonds

Municipal bonds are issued by states, cities, counties, towns villages, interstate authorities, intrastate authorities and U.S. territories, possessions and commonwealths, or agencies of any of the foregoing, to raise capital. They are generally backed by taxes or revenues received by the issuer. The Municipal Securities Rulemaking Board (MSRB) website has educational information on municipal bonds (see: MSRB: Municipal Bond Basics) , and its EMMA website has tools, data and disclosure documents to help compare and evaluate municipal bonds (see: Municipal Securities Rulemaking Board::EMMA (msrb.org))..

Asset-Backed Securities

Asset-backed securities (ABSs) offer returns based on the repayment of debt owed by a pool of underlying assets. There are a wide range of underlying assets that may correspond to an ABS, including without limitation home equity or car loans, credit card receivables, or business revenues.

Mortgage-backed securities (MBSs) are a type of ABS. MBSs are secured by a pool of home and other real estate loans, usually with similar characteristics. MBSs represent claims on the principal and interest payments made by borrowers on the loans in the pool.

International and Emerging Markets Bonds

Foreign governments and companies may also issue bonds. Less information may be available regarding international and emerging markets bonds that is available for domestic securities, and buying and selling these bonds generally involves higher costs relative to domestic bond transactions and requires the help of a brokerage firm or investment professional.

Bond Funds

A bond fund is a mutual fund or exchange-traded fund that invests in bonds. These funds' investments may be limited to only one type of bond or they may invest in a combination of bond types. Each bond fund is managed to achieve a stated investment objective. Bond funds charge fees and expenses that are paid by fund investors. These costs can vary widely from fund to fund and across share classes.

## Bond Orders and Fees

All Bond orders on Webull are limit orders. A limit order is a buy/sell order where the trade will only be executed at a price lower/higher than the price entered by the customer. The quality of the pricing and liquidity displayed at a given time are provided by Apex Clearing Corporation ("Apex") and can vary significantly due to different market conditions. Bonds are sold in minimum quantities and increments which can change.

Bond orders are executed utilizing a matching engine provided by Apex through a partnership with Moment Technologies, Inc. ("Moment"). This engine searches different liquidity providers in order to try and obtain favorable pricing for a particular bond transaction. The bonds shown on the Webull platform may not be available in quantity or price as a result of simultaneous orders entered by other customers or for other reasons. We reserve the right to modify, correct or cancel a trade at any time that is the result of a clear and unintentional error. Bonds and other fixed income securities may be "thinly traded" or illiquid, which tends to increase price volatility and impair your ability to buy or sell within a reasonable period of time without adversely impacting execution price(s).

Bonds transactions are executed by our clearing broker, Apex. Apex has custody of your bonds and trades are executed by Apex by Webull's instruction. Apex charges a mark-up (down) on bond transactions for these services, which is reflected in the prices shown on the Webull platform. Webull receives a negotiated portion of the mark-up (down). Moment receives fees from Apex for providing the matching services that helps identify a buyer or seller to serve as a counterparty for your bond transaction. Webull's, Moment's, and Apex's fees are included in the mark-up (down) reflected on your confirmation. The total estimated mark-up (down) on bond transaction is displayed on the Webull platform in the order preview window.

You assume full responsibility for each and every transaction in your Webull account and for your own investment strategies and decisions, including with respect to any transaction in fixed income securities.

## Common Risks of Bond Trading and Investing

Like all investments, investments in bonds and bond funds carries a risk of loss. There can be no assurance that you will receive the full amount of any interest payable to you in connection with a bond investment, and you may lose all or a portion of the principal amount of your investment. Certain risks applicable to investments in bonds and bond funds are described below.

### Interest Rate Risk (or Market Risk)

If interest rates increase the value of a bond investment generally declines, and conversely, if interest rates decrease the value of a bond investment generally increases. Changes in the value of a bond investment may or may not affect the interest payments you receive in respect of that bond investment, Bond investments with longer maturities will generally be more sensitive to interest rate fluctuations.

### Opportunity Risk

By committing capital to a bond investment, you may be unable to act on other investment opportunities that arise during the term of the bond investment, some of which may offer greater yields, a more attractive risk profile, or other terms that you may prefer to the bond investment. Bond investments with longer terms present greater opportunity risk.

### Call Risk

The terms of a bond investment may permit (or require) the bond issuer to "call" or redeem all or a portion of its outstanding bonds the bonds prior to their stated maturity. If a bond is called, interest payments will not continue to accrue on that bond following the call date, and you will not receive the full amount of all interest payments anticipated over the full term of the bond.

### Credit Risk (or Default Risk)

Bonds are debt obligations. As a result, bond investments are subject to the risk that the issuer will fail to make all or portion of any required payments of interest or principal in respect of its bonds. Bonds may receive credit ratings from nationally recognized statistical rating organizations which, together with all other available information regarding the bonds and the issuer, can help investors assess credit risk.

<u>Inflation Risk</u>

There can be no assurance that the yield on a bond investment will equal or exceed the rate of inflation. If the rate of inflation exceeds the yield on a bond investment, the value of your investment in that bond may be adversely affected.

<u>Liquidity Risk</u>

The level of trading activity and market for different bonds may vary widely. There can be no assurance that you will be able to liquidate a bond investment at any time for an attractive price or at all.

<u>Event Risk</u>

Events that affect the issuer of a bond may significantly increase the credit risk, liquidity risk, and other risks associated with its bonds. For example, in respect of corporate bonds, a merger, acquisition, leveraged buyout, major corporate restructuring or similar event affecting the issuer of a corporate bond may adversely affect the issuer's credit rating, its ability to make payments in respect of the bonds, and the market for its bonds, among other effects. Even highly significant events affecting a bond issuer may not be foreseeable, and it may not be possible to mitigate the risks of such events.

<u>Sovereign Risk</u>

In respect of bonds issued by a sovereign government, a wide range of factors, including without limitation political instability and national and global economic conditions may adversely affect the issuing government's ability or willingness to make payments in respect of its bonds. These risks are greater in emerging markets.

<u>Currency Risk</u>

If a bond is issued in a foreign currency, the exchange rate between your currency and the currency in which the bond is issued may adversely affect your investment return.

**Please Note:** the risks described in these Disclosures are not exhaustive of all risks potentially applicable to a bond investment. The risk profile of each bond investment will vary depending on a variety of factors, including without limitation the type of bond, the identity of the issuer, the bond terms, macroeconomic conditions.