Market Volatility Disclosure

Increased market volatility can result in record setting volume as well as extreme market conditions (sometimes called “fast markets” or “break out” market conditions). It is important for investors to understand the risks associated with such extreme market conditions. Technological advances have enabled clients under normal market conditions to receive accurate real-time market data and to receive execution of their market orders almost immediately.

Under volatile market conditions, clients trading Internet or other volatile stocks may flood their brokers with orders and, in turn, the Exchanges may experience an extreme volume of orders, typically on the same side of the market (i.e., all buy or all sell orders). These extreme market conditions typically result in large order imbalances and systems backlogs, as well as delayed reporting and increased execution time.

During these volatile conditions, Cesta Capital LLC may implement special order handling procedures to maintain a fair and orderly market and thereby protect both the investor and the firm from market risk. For example, firms may suspend automated execution systems and handle orders manually, executing client orders on a first come first serve basis. While these procedures are designed to provide orderly execution of client orders in high volume environments, the result may be a significant delay in execution. These delays can cause a client’s market order to be executed at a price substantially different from that of the quote given at the time of order entry. Moreover, the executions of orders entered prior to your order can significantly move the market and affect the price at which your order will be executed. Additionally, firms may restrict, again without prior notice, the types of orders they will accept for certain volatile issues.

Remember that because market orders must be executed as promptly as possible, it may not be feasible to cancel a market order since it may have already been executed but not yet reported. Many investors, thinking that their market order has not been executed, attempt to cancel and then, thinking that the original order has been canceled, re-enter another order. This also involves significant risk because frequently the client receives an unwanted execution of both orders.

It is important to understand the increased risk of volatile markets. Please visit www.sec.gov for additional information and remember, there is no substitute for a sound investment plan.