



## Atomic Brokerage LLC Fractional Share Trading Disclosure

Atomic Brokerage's fractional share trading functionality allows an investor to buy and sell fractional share quantities and dollar amounts of certain securities ("Fractional Trading"). Fractional Trading presents unique risks and has certain limitations that an investor should understand before placing their first fractional share order. Orders to buy or sell may use either a fractional quantity (e.g., 2.5250 shares) or a dollar value (e.g., \$250.00). Dollar-based buy market orders entered outside of normal trading hours may be rejected. Share quantities, if enabled, can be specified to FOUR decimal places (.0001). Dollar value orders will be converted into share quantities for execution, again, to FOUR decimal places. For fractional or dollar value orders assessed over \$25,000, orders may be converted to whole shares. In all cases, when converting dollar-value orders into share quantities, the share quantities will be rounded down.

For a variety of reasons, including but not limited to this conversion convention, the actual amount of an executed dollar-value order may be different from the requested amount. The actual amount of an executed order to buy a dollar value of a security may also be lower or higher than the amount requested due to the price movement of the shares in the market and/or fees and commissions charged by an investor's financial institution.

All orders received in good form by Atomic Brokerage with a fractional share component will be marked "Not Held," which gives Atomic Brokerage the time and price discretion to execute the order without being held to the security's current quote. In connection therewith, each time an investor or their financial institution submits an order to buy or sell a fractional share quantity or dollar amount of a particular security, an investor is authorizing Atomic Brokerage to use time and price discretion. These orders will be transmitted electronically through Atomic Brokerage's order routing systems to its clearing or execution partner(s) for handling and execution, consistent with applicable rules. Atomic Brokerage will seek best execution consistent with applicable law, rules, and regulations; however, execution prices for all fractional orders may differ from the National Best Bid and Offer (NBBO) due to their "Not Held" nature. If an investor does not wish orders to be handled on a 'Not Held' basis, an investor should not engage in Fractional Trading.

Atomic Brokerage may, in accordance with applicable law, trade "along with" or "ahead of" a customer fractional order or execute trades in a **principal capacity**. When trading as principal, potential conflicts of interest may arise. Atomic Brokerage

mitigates these conflicts through policies on trade review, best execution oversight, and order handling procedures.

An investor may attempt to cancel an order, but there is no ability to request that an order be “cancelled and replaced” (i.e., an investor cannot modify an order once it has been submitted). Instead, an investor or their financial institution will need to cancel the original order, wait for a confirmation of that cancellation, and only then submit a new order to avoid duplicate executions.

Atomic Brokerage’s Fractional Trading functionality supports **market orders only**. Fractional share orders cannot be placed as limit, stop, or extended-hours orders. Additionally, orders are good for that day’s trading session only.

An order entered outside of market hours is good until the close of the next trading session. Note however, that orders to sell less than a whole share can only be placed while the security is open for trading and must be entered as a market order. If a security has no trading volume on the primary listing exchange, dollar-based market orders to buy will be rejected.

An order to sell less than a whole share will be rejected if it is initiated during a trading halt. In the event of a trading halt after orders have already been initiated, existing orders in that security – including those containing fractional quantities - will persist and remain in force for the rest of that trading session. If trading does not resume or an order is not executed by the close of that day’s trading session, it will expire and need to be re-entered by the investor.

Atomic Brokerage’s Fractional Trading functionality currently supports the purchase of a subset of securities listed in the National Market System (NMS) on a fractional basis. Sales of existing fractional positions are limited to NMS listed securities. Atomic Brokerage reserves the right to modify the list of eligible stocks at any time without notice to an investor or their financial institution. Any modification to the list of eligible stocks available for Fractional Trading will not affect any fractional share interests previously acquired by an investor. Notwithstanding that existing fractional positions are eligible to be sold, fractional share positions may be illiquid. Atomic Brokerage does not guarantee that there will be a market for fractional share positions and makes no representations or warranties about its ability or willingness to continue to trade as principal or agent in fractional share quantities. Note that not all of Atomic Brokerage’s order entry platforms may support fractional trading (e.g., Fractional Trading may be available via mobile device but not through the live representative channel).

## **Trade Execution**

Additionally, Atomic Brokerage may be required to correct or adjust trades that (for a variety of reasons) have been executed in amounts that either exceed or fall short of the amounts requested. These trade corrections and adjustments will be executed by Atomic Brokerage in a principal capacity, and when trading as principal for its own account, Atomic Brokerage may make a profit or incur a loss.

## Shareholder Rights

Fractional share interests in a security generally have different rights from full share interests of the same security. Please read the following information carefully to understand rights regarding an investor's fractional share interests.

Fractional shares are held in **book-entry form**, either within Atomic Brokerage's omnibus account at its clearing firm or, where applicable, under fully disclosed clearing arrangements. Atomic Brokerage will not vote or take any discretionary or voluntary action with respect to any fractional share position. Furthermore, an investor, by utilizing the service, agrees that they cannot vote or take any discretionary or voluntary action with respect to any fractional share position. While investors may receive issuer communications for informational purposes, Atomic Brokerage will not solicit proxies or allow voting for fractional positions.

Fractional shareholders will not be able to provide instruction in connection with voluntary corporate actions (e.g., tenders), except for optional dividends. Fractional shares will not participate in any voluntary corporate actions undertaken by Atomic as principal.

In the case of a dividend paid on, or a redemption of, a fractional interest security, the dividend or redemption proceeds will be passed along to an investor in proportion to the investor's ownership interest, inclusive of fractional share interests. Atomic Brokerage will only support payments that are equal to or greater than \$.01 per share. Amounts smaller than that, or non-divisible amounts (based on the .0001 rounding convention described above), will not be distributed and will be considered **Undistributable Interests** retained by Atomic Brokerage consistent with applicable regulations.

Holders of fractional share positions may participate in dividend reinvestment programs (DRIPS) to the same extent as if they owned a full share (adjusted for their fractional share interest in the dividend). If the amount is too small to be reinvested (based on the .0001 rounding convention described above), but large enough to be distributed as cash (i.e., at least \$0.01), it will be paid to the investor.

For mandatory reorganizations, such as mergers and acquisitions, or other involuntary corporate actions, such as stock splits or stock dividends, generally Atomic Brokerage will distribute interests in proportion to an investor's ownership

interest, inclusive of fractional share interests. Atomic Brokerage will distribute interests in fractional amounts to four decimal places. Amounts smaller than that, or non-divisible amounts, will be considered **Undistributable Interests**. Because of the unpredictable nature of corporate actions, certain events may be handled differently in accordance with issuer materials, Atomic Brokerage's policies, or clearing firm procedures.

## **Tax Treatment**

By utilizing the service, investors agree that they will be treated as the owner of all fractional share interests allocated to the investor's account and will file all tax forms in accordance with such treatment. Dividends and sale proceeds will be reported on IRS Form 1099, and investors should consult their tax advisor regarding the treatment of fractional shares.

## **Additional Considerations**

Fractional share positions cannot be certificated. If an investor's account is closed, the investor's fractional shares may be liquidated, and the proceeds distributed as cash. Also, the Automated Customer Account Transfer System (ACAT) does not support the transfer of fractional shares. If an investor chooses to transfer their account or specific share positions with a fractional component to a broker at a different clearing firm, Atomic Brokerage will consider the transfer request as an order instruction to liquidate any fractional shares, and to transfer the cash proceeds in a residual sweep.

Sales of less than a whole share may not be eligible for price improvement. Additionally, because in certain situations price improvement on the fractional share component of an order will affect the execution price rather than the share quantity of an order, the effect of the improvement on a dollar-value order in those situations will be to increase or decrease the value of the order outside of what was requested.

If an investor's account has been approved for margin, notwithstanding the terms of the Customer Agreement, Atomic Brokerage will not lend (hypothecate) fractional share positions in compliance with Regulation T.

With the 'fractional share trading and dollar-based investing' solution, an investor or their financial institution, as applicable, has the responsibility to liquidate any fractional positions at their discretion (e.g., whole + fractional, fractional only).

*This disclosure is provided pursuant to FINRA Rule 2210, SEC Regulation Best Interest, and applicable customer disclosure obligations under Exchange Act Rules 606, 607, and 613.*