Client Name(s)_________________________________

Understanding Trailing Stops

A stop order that can be set at a defined percentage or dollar amount away from a security's current market price. A trailing stop is designed to protect gains by enabling a trade to remain open and continue to profit as long as the price is moving in the right direction, but closing the trade if the price changes direction by a specified percentage or dollar amount.

The trailing stop is more flexible than a fixed stop loss, since it automatically tracks the stock's price direction and does not have to be manually reset like the fixed stop loss. Like all stop orders, the trailing stop enforces trading discipline by taking the emotion out of the "sell" decision, thus enabling traders and investors to protect profits and investment capital. Trailing stops do have a downside, those which have too tight of a range compared to the stocks volatility do run the risk of being sold prematurely. Also, like a regular stop order, your order may not be filled at your stop price, especially in certain fast market conditions. Trailing stop orders face risk from mechanical malfunction, system disruptions, some types of corporate actions, and bad ticks among other factors. Pershing and Harbour Investments Inc are not responsible for trailing stop orders affected by system failures nor for trailing stop orders affected by market data issues.

Unlike conventional stop orders that are held on the market book at the exchange, trailing stop orders are stored in the brokerage's computerized system. The key is to set the trailing stop percentage at a level that is neither too tight (to prevent the trade being stopped before it has a chance to work) nor too wide (which if triggered, may result in leaving too much money on the table).

Trailing Stops in Pershing's NetX360 can be set with a percentage or dollar trail value. The range of percentage trailing stops can be entered from 1% to 30% or a dollar trailing stop value of $0.01 to $30.00.

One example, you purchased a stock with low volatility at $100. You place a 15% trailing stop order on it right away to protect your principal. The stock moves up to $120 over the next few months. Recall that your trailing stop is still in place, if this is the peak price the stock reaches it would have to fall to $102 to sell.

A second example you buy a volatile small tech stock at $10. You place a 15% trailing stop order on it right away to protect your principal. The stock moves to $12 by the end of the week; your new stop is set at $10.20. On Monday a small trade goes through at the open for $10.15, your stop would be triggered and you would be sold out of that position.

I have read this basic information and wish for my advisor to utilize trailing stops as part of my advisory accounts. I understand my advisor must contact me before setting up trailing stop on every position.

Client Signature	Date	Joint Client Signature	Date