

## **Open to the Public Investing, Inc.**

### **Fixed Income Disclosure**

#### **Introduction**

Open to the Public Investing, Inc. (“Public Investing”, “we,” “us, “our”) is a broker-dealer registered with the Securities Exchange Commission (“SEC”) and Financial Industry Regulatory Authority (“FINRA”) which, among other offerings, allows our customers to engage in transactions involving certain fixed income securities.

A fixed income security is a financial instrument that usually seeks to provide a return through fixed, periodic interest payments. Public Investing allows you to trade a type of fixed income security known as a “bond,” which is similar but not identical to a loan to an entity like the U.S. Government or a corporation. Ultimately, if the instrument is held to maturity and the issuer of the security does not default on its obligations, call the bond, or otherwise terminate the instrument, it will also return the principal payment, i.e., the initial amount invested in the instrument. Bonds are “rated” by various independent agencies, known as credit rating agencies, based on the underlying credit risk of the entity. Like all risk assets, a bond ultimately may not pay the promised interest payments and an investment may lose its principal, usually due to an inability of the issuer of the bond to pay its debts.

This document contains relevant information and definitions that may be helpful to you as you begin to explore investing in fixed income products, such as Treasury securities or corporate bonds.

#### **Bond Orders**

All Bond orders on Public Investing 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.

When you place an order, Public Investing will mark your order as “Not Held.” This means Public Investing has time and price discretion to execute your order without being held to the security’s currently available quotation (if any). Public Investing will try to obtain the most favorable terms for your order consistent with our duty of best execution. However, it is possible that the market price may move against your order before your order is filled. If you do not wish your order to be handled on a Not Held basis, you should not engage in Bond Trading on Public Investing.

Bond orders can be entered in two ways. For purchases and sales, you can enter the quantity of bonds you wish to purchase and the price you are willing to accept. If Public Investing can execute your order at that price or better for some or all of the quantity

you have selected, Public Investing will execute that order. Alternatively, you can enter a purchase order for a specific amount, as opposed to a specific quantity, and Public Investing will purchase as many bonds as possible within that amount. This could lead to you receiving bonds whose aggregate value is less than the amount you entered.

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 in the Bond Screener 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 ultimate custody of your securities and trades are executed by Apex by Public Investing's instruction. Apex charges a mark-up for these services, which is reflected in the prices shown on the Bond Screener. 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. These fees are included in Apex's mark-up. Public Investing also charges a mark-up on bond transactions that is shown to you prior to executing a trade. Those markups can be found on the [Fee Schedule](#).

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

### **Risks of Bond Investments**

Before investing in bonds, please make sure to understand the risks associated with bond investments, including assessing the nature and potential value of each bond and determining if it aligns with your investment strategy. Here are some other key risks to consider:

- (1) Market Value Fluctuations: The sale price of a bond can be higher or lower than its purchase price. This fluctuation depends on market conditions, prevailing interest rates, and the performance of the bond issuer.
- (2) Liquidity Concerns: The ability to sell your bonds depends on the market's liquidity. A less liquid market may make it difficult to sell bonds quickly or at a favorable price.
- (3) High Yield vs. Investment Grade Bonds: Bonds are often categorized based on the credit rating of the issuer. High yield bonds, often referred to as "junk bonds," are issued by entities with lower credit ratings. Although they may offer higher yields, they come with increased risks.

- (4) Default Risks in High Yield Bonds: The risk of default is higher in high yield bonds. This means there's a greater chance the issuer may fail to pay interest or repay the principal.
- (5) Interest and Principal Payment Concerns: With high yield bonds, there's a significant risk that the issuer may not be able to meet their obligations regarding interest and principal payments.
- (6) Market Volatility Impact: High yield bonds can be less liquid, especially in volatile markets. This can impact your ability to sell these bonds and affect their market value.
- (7) Inflation Risk: Bond payments are typically fixed and consequently are subject to risk that inflation over time will diminish the purchasing power of interest payments.

When investing in bonds, especially high yield ones, it's crucial to thoroughly understand the associated risks, including market volatility, liquidity issues, and the higher default risk. Balancing these risks against the potential for higher yields is a key part of you making informed self-directed investment decisions.

### **Bond Data**

On the Public.com website and Public mobile app ("Public Platform"), you will be able to research a variety of different bonds, including through the Public Platform's "Bond Screener" tool. The Public Platform is owned and operated by Public Holdings, Inc. ("Public"), the parent company of Public Investing. There are thousands of different bonds searchable on the Public Platform, although this does not represent the entire universe of bonds available in the broader market place. The data used to power the Bond Screener is provided by Public's partner, Moment Technologies, Inc. ("Moment"). Moment aggregates this information from certain third party data providers and liquidity venues, where bonds are traded, which is then displayed on the Public Platform. This data includes the current bid and ask for a particular bond, if there is one, the estimated yield a bond might pay, and other relevant information. Public pays Moment a fee for data services. Data provided by Moment is also displayed elsewhere on the Public Platform including Bond Asset Pages and during the order execution process.

Neither Public, Public Investing, nor Moment: (a) take responsibility for the accuracy or completeness of market and security descriptive data and other information available on the Public Platform; (b) offer any guarantees or warranties, whether expressed or implied, regarding the timeliness, sequence, accuracy, or completeness of the data provided on the Public Platform; (c) make any representation or warranty regarding the quality, accuracy, completeness, or timeliness of the data on the Public Platform; and (d) is liable for any errors or omissions resulting from inaccurate information, nor for any damages incurred or experienced due to the use of such information on the Public Platform or calculations derived from it.

Bond yields shown in the Public Platform are estimates and the final yield on an investment will ultimately be determined by, among other things, the price at which the transaction is executed.

All information related to your trades provided in the Public Platform is provisional. Please see trade confirmations and account statements for official information.

**Trading Times:** Trades on Public Investing are executed during normal market hours, 9:00 AM ET to 4:00 PM ET, Monday through Friday exclusive of market holidays. Orders cannot be placed outside these hours. Bond hours may not always align with stock market hours.