

# Option Trading Disclosure

Customers trading equity options understand and agree to the following:

Customer understands that trading equity options is highly speculative in nature and involves a high degree of risk.

1. Prior to entering into its first equity options transaction through Interactive Brokers (â€œIBâ€ ), Customer shall acknowledge to IB that Customer has read and fully understood: (a) the current Options Clearing Corporation ("OCC") disclosure document "Characteristics and Risks of Standardized Options" (the "OCC Document") and (b) the "Special Statement for Uncovered Option Writers." Customer agrees to seek clarification of any term, condition or risk contained in either of these documents prior to making such acknowledgment to IB.
2. Customer is financially able to undertake the risks associated with trading equity options and withstand any losses incurred in connection with such trading (including the total loss of premiums paid by Customer for long put and call options, margin requirements for short put and call options, and transaction costs).
3. Among the risks Customer acknowledges are: (a) option contracts are traded for a specified period of time and have no value after expiration; (b) trading halts in the underlying security, or other trading conditions (for example, volatility, liquidity, systems failures) may cause the trading market for an option (or all options) to be unavailable, in which case, the holder or writer of an option would not be able to engage in a closing transaction and an option writer would remain obligated until expiration or assignment.
4. The IB System is an electronic system and is, therefore, subject to unavailability. Customer represents that it has trading arrangements for the placement of Customer's orders and shall use such arrangements in the event that the IB System becomes unavailable. Although the IB System is designed to perform certain automatic functions, IB does not warrant that the IB System will perform as it is designed to, and IB will not have any liability to Customer for losses or damages which result from such failures of performance or unavailability. Subject to the foregoing, Customer acknowledges that the IB System is designed to automatically liquidate Customer positions if Customer's account equity is not sufficient to meet margin requirements.
5. Customer has reviewed and understands the applicable margin requirements for trading equity options. Customers who want to trade equity options agree to the following terms and conditions:
  - a. Each equity option transaction entered into is subject to the rules and regulations of the Securities & Exchange Commission, the Financial Industry Regulatory Authority, the self-regulatory organizations that regulate IB, the relevant options exchange, and the OCC.

- b. Equity options traded in the US are issued by the OCC and Customer shall not, alone or in concert with others, exceed the position and exercise limits imposed by exchange rules and regulations.
- c. With certain exceptions, IB will not execute a Customer order to purchase an equity option if Customer does not have equity in its account at least equal to the full purchase price of a put or call option (equity options may not be purchased on margin).
- d. Customer shall comply with IB margin requirements in connection with Customer's sale of put and call options.
- e. Customers who wish to exercise an option on a particular trading day acknowledge that they must provide specific, written instructions to IB using the procedure specified on the IB website before the Close Out Deadline specified. Customer further acknowledges that, absent receipt of such instructions, IB has no obligation to exercise Customer's option on any given trading day or prior to the expiration of the option. Customer acknowledges that, subject to paragraph H below, OCC will automatically exercise any long equity option held by a Customer that is in-the-money by \$.01 or more at expiration, absent specific instructions to the contrary provided by Customer to IB using the procedures specified on the IB website.
- f. Customer understands that OCC assigns exercises to clearing firms such as IB and Customer acknowledges that it has read and understands the description of the OCC assignment procedures available on request from the OCC as set forth in Chapter VIII of the OCC Document. Customer acknowledges that, upon assignment, Customer shall be required: (1) in the case of an equity option, to deliver or accept the required number of shares of the underlying security, or (2) in the case of an equity index option, to pay or receive the settlement price, in cash. Customer understands that it may not receive notice of an assignment from IB until one or more days following the date of the initial assignment by OCC to IB and that the lack of such notice creates a special risk for uncovered writers of physical delivery call stock options. Customer acknowledges that it has read and understands this risk as described in Chapters VIII and X of the OCC Document.
- g. Customer is responsible for entering an offsetting transaction to close out a Customer position, or to exercise an equity option by written e-mail instruction to IB prior to the expiration date, and Customer's failure to do so may result in the equity option expiring worthless, regardless of the monetary value of the equity option on its expiration date.
- h. If, prior to expiration of an option contract, Customer does not have sufficient equity to meet the initial margin requirement for the purchase or sale of the underlying security, then IB: (1) shall have no obligation to purchase or sell such underlying security or (2) upon exercise may immediately liquidate the underlying security position which results from the exercise of the option contract and Customer shall be liable for resulting losses and costs.

- i. In connection with the exercise of a long put option that results in a short position in the underlying stock, Customer acknowledges that: (1) short sales may only be effected in a margin account and are subject to initial and maintenance margin requirements; and (2) if IB is unable to borrow such stock on Customer's behalf or if a lender subsequently issues a recall notice for such stock, then IB, without notice to Customer, is authorized by Customer to cover Customer's short position by purchasing stock on the open market at the then current market price and Customer agrees that it shall be liable for any resulting losses and all associated costs incurred by IB. As noted above, the market value of short stock is treated as a debit item to Customer's IB margin account.