



SPECIAL OPTIONS RISK DISCLOSURE STATEMENT FOR UNCOVERED OPTION WRITERS

It is important that you understand that there are special risks associated with uncovered option writing that may expose you to potentially significant losses. This type of strategy therefore may not be appropriate for all clients approved with SprinkleBrokerage, Inc. for options transactions.

It is important that you be aware of the following.

The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risk position and may incur large losses if the value of the underlying instrument increases above the exercise price.

Uncovered option writing is therefore suitable **ONLY** for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses and has sufficient liquid assets to meet applicable margin requirements.

In regard to margin requirements, if the value of the underlying instrument moves against an uncovered writer's option position, significant additional margin payments may be requested. If you do not make such margin payments, the stock of options positions in your account may be liquidated with little or no prior notice, in accordance with your margin agreement.

For combination writing, where you write both a put and a call for the same underlying instrument, the potential risk is unlimited. If a secondary market in options were to become unavailable, you could not engage losing transactions and would remain obligated until expiration or assignment.

The writer of an American-style option is subject to being assigned an exercise at any time after he/ or she has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

It is important that you know this statement is not intended to enumerate of the risks entailed in writing uncovered options. We suggest that you also read the booklet titled "Characteristics and Risks of Standardized Options" given to you upon the opening of your options account with SprinkleBrokerage, Inc. We specifically direct your attention to the chapter that discusses risks associated with uncovered options.

For more information – Should you have any questions you may submit a request for additional information to our Customer Service Department at support@sprinklebrokerage.com.