

Options Trading Risk Disclosure

Options involve risks and are not suitable for all investors. It is very important that option investors read the Characteristics and Risks of Standardized Options (Option Disclosure Document) before engaging in options trading. The risk disclosure document explains the characteristics and risks of exchange-traded options. You may also request a copy of the Option Disclosure Document by writing to the Options Supervisor at Cobra Trading, 4800 Hedgcoxe Rd., Suite 300 Plano, TX 75024.

Cobra Trading also would like to inform investors of the inherent risks of trading the following strategies.

1. Bullish strategies have greater risk of loss in falling markets.
2. Neutral strategies have greater risk of loss in volatile markets.
3. Bearish strategies have greater risk of loss in rising markets.

There are many factors that an investor should be aware of when trading options including interest rates, volatility, stock splits, stock dividends, stock distributions, currency exchange rates, etc.

Cobra Trading or its clearing firm shall reduce any accounts that exceed applicable position limits to a level that is in compliance with such limits. Any losses as a result of these actions will be the sole responsibility of the investor.

Typically, the exercise of in-the-money equity options is automatic at expiration if the equity option is $\frac{3}{4}$ of a point or more in the money. For equity options in the money less than $\frac{3}{4}$ of a point, or out of the money, it is the obligation of the investor to request exercise. Cobra Trading or its clearing firm may, at its own discretion, exercise any open equity option that is $\frac{3}{4}$ of a point or more in the money on the date of expiration. Investors are obligated to monitor their options position(s) especially as the expiration date approaches.

Investors exercising their in-the-money equity options must have sufficient assets in their account to meet margin requirements. Cobra Trading or its

clearing firm may, at its own discretion, reduce or close-out an investor's option(s) position prior to the close of business on the last day before exercise, if the account has insufficient assets to meet margin requirements.

Investors should only engage in options trading that is best suited to their financial condition and option experience and which considers current market conditions. Orders are accepted only on an unsolicited basis. Investors are solely responsible for any and all orders placed in their account(s) and at their own risk. Cobra Trading does not make any recommendations whatsoever regarding any options or options strategies. Additionally, your account(s) are accepted on a fully disclosed basis and solely at the discretion of Cobra Trading and Penson Financial Services, Inc., the company's clearing firm.