

Account Feature

OA

Option Agreement and Approval

Exchange rules require LPL and its financial professionals to request information from all customers who intend to effect transactions in options. This information includes, but is not limited to, investment experience, annual income, and net worth. It is intended to assist LPL financial professionals in making recommendations that are appropriate for the Account Holder's investment objectives. To expedite the approval process, please ensure that applicable sections are filled out completely.

LPL Financial professionals must provide the separate Options Clearing Corp. (OCC) disclosure booklet "Characteristics and Risks of Standardized Options" to each Account Holder considering option investing prior to their signing the LPL Option Agreement and Approval form. The OCC disclosure booklet may be ordered as a separate item directly from the OCC. The text of the booklet may also be electronically downloaded from the OCC at:
www.theocc.com/about/publications/character-risks.jsp



Account Feature Option Agreement and Approval

OA

Account Number

Rep ID							

Instructions: This form must be completed in full and signed by the Account Holder, financial professional, and OSJ. The account must be approved by LPL Financial LLC ("LPL") home office before trading may commence.

Note: The Option Level being applied for is not guaranteed and is subject to LPL Guidelines and Approval.

Please email the completed document to imaging.email@lpl.com or fax to (858) 202-8325.

1. Account Information

Account Registration

2. Account Registration (information must match your account; if Power of Attorney is signing, their information must be provided)

Account Holder Name

Date of Birth

Dependents

Marital Status

Employer Name ☐ Mark here if retired or unemployed

Current Position or Prior Position if retired (be specific)

Joint Account Holder Name (if applicable)

Date of Birth

Dependents

Marital Status

Employer Name ☐ Mark here if retired or unemployed

Current Position or Prior Position if retired (be specific)

Joint Account Holder Name (if applicable)

Date of Birth

Dependents

Marital Status

Employer Name ☐ Mark here if retired or unemployed

Current Position or Prior Position if retired (be specific)

Joint Account Holder Name (if applicable)

Date of Birth

Dependents

Marital Status

Employer Name ☐ Mark here if retired or unemployed

Current Position or Prior Position if retired (be specific)

3. Account History

Date Account Opened

Date Characteristics and Risks of Standardized Options
Document and Current Supplementals Provided

4. Investment Experience

Stocks and Bonds

Number of Years Experience

Number of Trades per Month

Options

Covered Call Writing & Puts to Hedge

Purchase Calls & Puts

Spreads

Equity Put Writing

Index Put Writing

Options Investment Knowledge

☐ None ☐ Limited ☐ Good ☐ Extensive

Average Option Transaction Size

☐ \$0-\$9,999 ☐ \$10,000 - \$24,999 ☐ \$25,000+

Member FINRA/SIPC



5. Financial Information

Enter the letter that corresponds to the correct range (fill out every box)

Total Annual Income?

Net Worth? (Exclusive of primary residence)

Liquid Net Worth? (Exclusive of real estate; only includes assets that can be liquidated within 30 days)

- | | |
|--------------------------|--------------------------|
| A. \$1 - \$24,999 | E. \$250,000 - \$499,999 |
| B. \$25,000 - \$49,999 | F. \$500,000 - \$749,999 |
| C. \$50,000 - \$99,999 | G. \$750,000 - \$999,999 |
| D. \$100,000 - \$249,999 | H. \$1,000,000 and over |

6. Option Investment Objective (select all that apply)

Note: The option level being applied for is NOT guaranteed and is subject to LPL Guidelines and Approval.

- ☐ Income/Hedging (Objective is to provide current income and/or to protect your portfolio by choosing investments that minimize the potential loss of capital)
- ☐ Speculation (Objective is to maximize potential gains by assuming a higher level of risk. This strategy provides little or no protection of capital.)

What type of option trading are you requesting? (select one)

- ☐ Level 1 (Covered Calls and purchase of Puts to Hedge; Maximum level for Retirement, Collateral, and Custodian Accounts; Level required for Non-Principal Protected Structured Product Trading) Income/Hedging
- ☐ Level 2 (Level 1 + Purchases; Maximum level for Advisory Non-Retirement) Speculation
- ☐ Level 3 (Level 2 + Spreads; Requires Margin agreement and minimum account value of \$25,000) Speculation
- ☐ Level 4 (Level 3 + Equity Put Writing; Requires Margin agreement and minimum account value of \$25,000) Speculation
- ☐ Level 5 (Level 4 + Index Put Writing; Requires Margin agreement and minimum account value of \$100,000) Speculation

7. Account Holder Acknowledgment

The undersigned ("Account Holder") hereby warrants and represents that he/she is the source of the above information and that that information is true and correct. Account Holder has read, understood, and agrees to conditions in the Option Agreement and Disclosure Document ("Agreement") set forth on the last two pages of this document. This Agreement contains a predispute arbitration clause in paragraph 26. I acknowledge receiving a copy of this Agreement and the document entitled "Characteristics and Risks of Standardized Options" as referenced in paragraph 13 of the Agreement.

Account Holder Signature	Account Holder Name (print)	Date (required)
Account Holder Signature	Account Holder Name (print)	Date (required)
Account Holder Signature	Account Holder Name (print)	Date (required)
Account Holder Signature	Account Holder Name (print)	Date (required)

8. Financial Professional Acknowledgment

I have reviewed the information herein concerning the account holders investment objective, investment experience and financial condition.

Financial Professional / Authorized Person Signature	Financial Professional / Authorized Person Name (print)	Rep ID	Date (required)
Joint Financial Professional / Authorized Person Signature	Joint Financial Professional / Authorized Person Name (print)	Rep ID	Date (required)
Joint Financial Professional / Authorized Person Signature	Joint Financial Professional / Authorized Person Name (print)	Rep ID	Date (required)
Joint Financial Professional / Authorized Person Signature	Joint Financial Professional / Authorized Person Name (print)	Rep ID	Date (required)
OSJ Branch Manager Signature	OSJ Branch Manager Name (print)		Date (required)

Account Number



Option Agreement and Disclosure Document

1. Options May Involve a High Degree of Risk and Speculation Account Holder(s) understands that the purchasing or selling of options may involve a high degree of risk and speculation. When purchasing options there is the risk that the entire premium paid (purchase price) for the option can be lost if the option is not exercised or otherwise sold (prior to expiration date). When selling (writing) options the risk of loss can be much greater if such options are written uncovered ("naked"). In such case the risk of loss can far exceed the amount of premium received.
2. Option Trading May be Highly Speculative Account Holder(s) understands and is well aware that options trading may be highly speculative in nature. Account Holder(s) is also aware that on certain days, options trading may cease and this could result in a financial loss.
3. Financial Risks Account Holder(s) is capable of evaluating and bearing the financial risks of purchasing or writing (selling) options. Account Holder(s) is willing and able to assume the financial and market risks of option trading. Account Holder's capabilities are based on income, net worth, investment experience and objectives, and knowledge of securities investing.
4. Assignments and Delivery Account Holder(s) agrees to honor all assignments and delivery requirements of the underlying security of the required funds in the prescribed time to LPL. Upon Account Holder's failure to do so in the proper time, LPL is hereby authorized to act as agent for Account Holder(s) and to buy-in and sell-out such securities at the current market price or otherwise act to properly margin or complete the Account Holder's obligations. Account Holder(s) agrees to pay LPL a commission and/or fee for such service and to reimburse LPL for any and all loss incurred in connection therewith. LPL is authorized to debit Account Holder(s) account for all such related transactions.
5. Transactions Account Holder(s) agrees that unless otherwise specified and agreed to herein or in writing by LPL, Account Holder(s) is responsible for making all final decisions as to transactions effected in this LPL brokerage account (Advisory accounts do not apply). Account Holder(s) understands that each order entered (to buy or to sell) must be complete as to security, quantity, price and duration of the order.
6. Rules and Regulations Account Holder(s) understands that any options transaction made for any account is subject to the rules, regulations, customs, and usages of the Options Clearing Corporation (OCC) and of the registered national securities association, clearing organization, and/or market where such transaction was executed.
7. Position Limits Account Holder(s) agrees to abide by such rules, regulations, customs, and usages and Account agrees that, acting individually or in concert with others, Account Holder(s) will not exceed any applicable position or exercise limits imposed by such exchange, association, clearing organization, or other market with respect to option trading.
8. Trade Settlement If Account Holder(s) does not satisfy on a timely basis, money or security calls, LPL is authorized in its sole discretion, and without notification, to take any and all steps deemed necessary to protect itself (for any reason) in connection with satisfying money or security calls for Account Holder's account. This includes the right to buy and/or sell, including short or short exempt, for Account Holder's account which includes any part or all of the shares represented by options handled, purchased, sold, and/or endorsed by LPL for Account Holder's account as LPL may deem necessary or appropriate. Any and all expenses or losses incurred in this connection will be reimbursed by Account Holder(s).
9. Option Exercise Account Holder(s) bears full responsibility for taking action to exercise an option contract; provided, however, that with respect to certain expiring options, LPL is authorized to permit exercise by exception to take place automatically pursuant to the rules of the OCC as in effect from time to time unless Account Holder specifically advises LPL to the contrary in writing. This procedure affects options which are in the money by a predetermined amount as set forth in the rules of the OCC. Additional information regarding this procedure is available upon Account Holder's written request.
10. Terms and Conditions In addition to the terms and conditions hereof, Account Holder's options account will be subject to all of the terms and conditions of all other agreements heretofore or hereafter at any time entered into with LPL relating to the purchase and sale of securities except to the extent that such other agreements are contrary to or consistent herewith. In the event of a conflict, this agreement shall control.
11. Option Agreement This agreement applies to all puts or calls which LPL may have executed, purchased, sold or handled for any account of the Account Holder(s) and also applies to all puts or calls which LPL may hereafter purchase, sell, handle, or execute for any account of Account Holder(s).
12. Account Profile Change Account Holder(s) agrees to immediately advise LPL of any changes in Account Holder's financial situation or investment objective insofar as Account Holder(s) deems such changes material to Account Holder's option transactions.
13. Option Booklet Account Holder(s) has received from LPL the most recent Characteristics and Risks of Standardized Options booklet and current supplements. Account Holder(s) has read and understands the information contained in this document.
14. Exercise Notice Account Holder(s) understands that the OCC along with LPL's service vendor assigns exercise notices on an automated random basis. Account Holder(s) understands that upon written request, LPL will provide Account Holder with further information regarding the procedure used to assign exercise notices.
15. Limited Life of an Option An option contract will expire on its expiration date and will have no further value.
16. Risk of Assignment on One Leg of a Spread Due to Early Exercise Individual "legs" of a spread are subject to early exercise (i.e. assignment) risk. This may remove the protection that certain spread position provide. The result of being assigned, either partially or fully, on a leg of a spread position, may result in a margin call or in losses greater than anticipated. The remaining leg of a spread may violate/exceed Account's approved option level and require to be closed, resulting in a potential market loss.
17. Execution of a Spread Order is "Not Held" and Discretionary A spread is not a standardized option contract, accordingly, there is no disseminated spread market that provides a benchmark price, such as the national best bid or offer (NBBO) for individual option contracts. Therefore, liquidity providers cannot be held to a net price on a spread order and may not receive the NBBO on each individual leg of a spread.
18. Spread Orders Spread trades are done as a single trade and not placed as individual trades. When trading spreads, option prices on cross-markets may be misleading because the legs of the spread cannot be executed on different exchanges to get the NBBO. Both legs of the spread must be executed on the same exchange, simultaneously.
19. Delayed Reporting of Spread Trades Spread trades are executed at the discretion of the specialist(s) or market maker(s) responsible for executing orders. When a spread order is cancelled or executed, the specialist or market maker may be required to take manual action that may require additional reporting. Such delays in reporting executions and cancels create risks, especially in fast moving markets. Any trade executed through LPL will be sent to a market center as a spread trade and will be subject to the risks outlined above.
20. In-the-Money Options May Automatically Exercise The OCC will automatically exercise any expiring options that close in-the-money by \$0.01 or greater. The OCC will not automatically exercise expiring options that close in-the-money by less than \$0.01. These options may still be exercised, but you are required to provide LPL with a request to exercise. Furthermore, to not exercise option contracts that automatically would be exercised (i.e. options in-the-money); you must provide LPL with such a request prior to the close of market on or prior to expiration date.



Option Agreement and Disclosure Document (continued)

21. Account Review Account Holder(s) should review option positions prior to expiration to determine whether adequate equity (i.e. funds) are available prior to exercising or in the event of option assignment(s). It may be appropriate to close option positions in expiring options close to or in-the-money prior to the market close to avoid the risks of an option exercise if you do not have adequate funds in your account, or if you do not want to own a long or short equity position. Also, Account Holder(s) must be aware of the possibility that a short option may be assigned even if the option is out-of-the-money. Account Holder(s) should also determine whether there are adequate equity in the account if a short options position is assigned (based on in-the-money). Account Holder(s) must close positions in expiring options prior to the market close on or prior to expiration to avoid the risks of assignment if adequate capital is not available, or the Account Holder(s) do not want to bear the risks associated with a long or short stock position. Also, Account Holder(s) should be aware of the possibility of assignment on a short option position even if the option is out-of-the-money.
22. Spreads and Expiration Risk Spread positions can have unique expiration risks associated with them. An expiring spread where the long leg of the spread is in-the-money by less than \$0.01 and the short leg of the spread is in-the-money more than \$0.01 may require special attention on the Account Holder's part to manage the expiration risks. An Account Holder(s) is responsible for managing this risk and for risks associated with any unhedged spread legs that expire in-the-money. If an Account Holder does not want to exercise an expiring in-the-money leg of a spread, they must notify LPL prior to market close on or prior to expiration date.
23. Managing Risks Following Expiration Account Holder(s) should review their account and manage any positions that generate margin or cash settlement due and other risks resulting from exercises or assignments on the trading day following expiration. Account Holder(s) is responsible for positions that result from the expiration/assignment process. If appropriate action is not taken, Account Holder(s) may receive a margin call or LPL may liquidate a position(s) in your account to cover any unpaid trade settlement.
24. Expiring Options By default, the OCC will automatically exercise any expiring options that close in-the-money by \$0.01 or greater. To prevent the OCC from exercising options that close in-the-money by \$0.01 or greater, you must provide LPL with specific instructions to that effect. If you hold long U.S. equity option contracts and, as of the last trading day of the options, such options are (a) in-the-money by \$0.01 or greater, and (b) LPL has not received instructions from you, then you hereby authorize LPL to take any of the following actions in its sole discretion: (i) exercise the options; (ii) instruct OCC not to exercise your in-the-money options; and/or (iii) sell any and/or all of your in-the-money options prior to their expiration. You agree to pay any fee that may be charged, including without limitation any fees associated with the use of margin used to cover the cost of purchasing any underlying securities. To the extent permitted by applicable law, you agree to waive and release LPL, its officers, employees, and agents, from any and all claims of damage or loss, then or at a later time sustained, as the result of any of the above actions taken by LPL pursuant to this Agreement.
25. Risks There are special risks associated with uncovered option writing (selling), which may expose Account Holder to a significant loss. Therefore, this type of strategy may not be suitable for all customer approved for option transactions:
 - a. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call may incur large losses if the value of the underlying instrument increases above the exercise price
 - b. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such a loss could be substantial if there is a significant decline in the value of the underlying instrument.
 - c. Uncovered option writing is only to be permitted for knowledgeable investors who understand the risks associated with the investment, has the financial capacity and willingness to incur potentially substantial losses and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's option position, the investor(s) may be required to meet significant, additional margin payments. If an investor does not make such margin payments, LPL may liquidate stock and/or options positions in the account, with little or no prior notice in accordance with the account's margin agreement.
 - d. For combination writing (where the investor writes both a put and a call on the same underlying instrument), the potential risk is unlimited.
 - e. If secondary market options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.
 - f. The writer of an American-style option is subject to being assigned an exercise at any time after written which includes up to when the option expires. By contrast, the writer of a European -style option is subject to exercise assignment only during the exercise period.

NOTE: It is important that Account Holder reads the booklet entitled Characteristics and Risks of Standardized Options available from your financial professional prior to investing in options. Familiarization and understanding the chapter entitled Risks of Buying and Writing Options is important. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

26. Arbitration of Disputes - Disclosures This agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:
 - a. All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed
 - b. Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
 - c. The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings
 - d. The arbitrators do not have to explain the reason(s) for their award, unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first hearing date.
 - e. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
 - f. The rules of some arbitrations forums may impose time limits for bringing a claim in arbitration. In some cases. A claim that is ineligible for arbitration may be brought in court.
 - g. The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

Account Holder(s) agrees that any controversy between Account Holder(s) and LPL arising out of or relating to Account Holder's account, transactions with or for Account Holder(s), or the construction, performance, or breach of this agreement whether entered into prior, on or subsequent to the date hereof, will be settled by arbitration in accordance with the rules, then existing of FINRA. Any arbitration award hereunder will be final, and judgment upon the award arbitration any dispute or controversy non-arbitrable under federal law.

