

Options Trading Disclosure

Risk of Options Trading

Options involve risk and are not suitable for all investors. Options trading is considered speculative and may result in the loss of a portion of or all of your initial investment and/or funds in excess of the principal invested. Prior to buying or selling an option, you should read "Characteristics and Risks of Standardized Options," which is known as the options disclosure document ("ODD"). All clients must receive a copy of the ODD prior to conducting any options trades. Hard copies of the ODD can be obtained by contacting your representative or bk@cestacap.com. Electronic copies of the ODD and any supplements are provided with Cesta Capital's Options Account Forms provided to clients interested in opening an options account and available on the Options Clearing Corporation website: [here](#).

Marking Requirements Related to Options Trading

When engaging in options trading, please be aware of the following options exchange rules:

- Option exchange rules require all options orders to be marked with the appropriate account origin code, such as Customer, Broker-Dealer, Professional Customer, or Firm. Therefore, you must ensure your options orders are marked with the correct account origin code when routing options orders to the Firm.
- A Professional customer is any person or entity that is not a broker or dealer in securities and who places more than 390 options orders per day on average during a calendar month. Professional customer orders are not treated with the same marketplace advantages given to public customer orders. Cesta Capital will designate your options orders as Professional orders if the Firm determines you meet the requirements of a Professional customer. Once you meet the standard for a Professional customer, all of your options orders will be marked as Professional for the quarter following the month in which the threshold was exceeded.
- If by your own determination, you are to be deemed a Professional customer, you must notify us by email to bk@cestacap.com in writing so that the Firm can properly document your designation and appropriately mark your options orders as Professional.

- Option exchange rules require all options orders to be marked as either opening (buy/sell to open) or closing (buy/sell to close) transactions. Therefore, you must ensure your options orders are marked appropriately when routing options orders to the Firm.

Special Statement for Writing Uncovered Options

You should be aware that there are special risks associated with writing uncovered options which expose you to potentially serious risk of loss. Therefore, this type of strategy may not be appropriate for all investors:

- The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position and may incur large losses if the price of the underlying instrument increases above the exercise price.
- 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 loss could be substantial if there is a significant decline in the value of the underlying instrument.
- The use of margin may accelerate the velocity of potential losses and may require additional capital to cover any and all margining requirements. If you are unable to meet the margin call, Cesta Capital may liquidate stock or options positions in your account with or without prior notice, in accordance with the Firm's margin agreement.
- Uncovered options writing may be suitable for only the most 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.
- For straddle and strangle writing, where the investor writes both a put and a call on the same underlying instrument, the potential for loss is unlimited.
- The writer of American-style options is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to assignment only during the exercise period, normally

the expiration date.

- Because of the importance of tax considerations to all options transactions, you should consult with a tax advisor as to how taxes affect the outcome of contemplated options transactions.

You should not enter into options transactions until you have read and understood the risk disclosure document titled "Characteristic and Risk of Standardized Options." To obtain a copy of the Options Disclosure contact us at bk@cestacap.com or [click here](#).

Zero Day to Expiration ("ODTE") Options

ODTE options are contracts that expire on the same day as purchased. These options contracts may be tied to the price of indexes, exchange traded funds ("ETFs") or single stocks. Prior to the close of regular trading hours (4:00pm EST), Cesta Capital will evaluate whether an ODTE option has the potential to be in-the-money (i.e. when the market price of the underlying security is above the strike price of a call or below the strike price of a put). If your account does not have sufficient funds or shares of the underlying security to meet the potential purchase or delivery obligation upon the exercise of the in-the-money option, Cesta Capital will liquidate your option position **prior** to the close of trading. Liquidation of the option position may result in potential losses or limited profit potential. You should closely monitor your account when trading ODTE options and take appropriate action if you do not have sufficient funds or securities to meet your obligations on in-the-money ODTE options.