

Disclosure Regarding AQUAS' Procedures for Allocating Equity Option Assignment Notices from OCC

As described in the Options Clearing Corporation ("OCC") Publication "Characteristics and Risks of Standardized Options", the OCC assigns exercise notices to its clearing members. AQUAS Financial LLC carries its customer accounts on an omnibus basis through its clearing firm. When the OCC assigns exercise notices to AQUAS Financial's clearing firm, the clearing firm allocates assignments to AQUAS Financial on a random basis. AQUAS Financial, in turn, is required to maintain a procedure to allocate such exercise notices to those customer accounts carried by AQUAS Financial that hold short positions in the relevant options. Upon assignment, customers whose accounts are carried by AQUAS Financial shall be required:

- In the case of an equity option, to deliver or accept the required number of shares of the underlying security.
- 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 until one or more days following the date of the initial assignment by OCC to AQUAS Financial and that the lack of such notice creates a special risk for uncovered writers of physical delivery call stock options.

Described below are AQUAS Financial's procedures for allocation of exercise notices, which are based on a random selection process:

Steps:

1. Each morning, AQUAS Financial receives files from its clearing firm with information from the OCC (Options Clearing Corporation) about exercise and assignment activity. These are the exercise notices that have been allocated to AQUAS Financial on a random basis following the OCC's assignment. For each option contract symbol in the file, an automated lottery is triggered in the AQUAS Financial system to determine which customer(s) will be assigned contracts.
2. The AQUAS Financial system compiles a list of all open short positions held in the relevant contract by customer accounts at AQUAS Financial. The list includes the associated order numbers that created the positions. If multiple of the same option contract are required to be assigned, the following steps are performed for each contract individually:
 - If only one customer holds a short position in the contract, that customer is automatically allocated the assignment and no lottery is required.
 - If more than one customer holds a short position in the contract, the AQUAS Financial system runs an automated random lottery to determine which customer will be allocated the option contract in question. The system does this by:
 - Taking all the short order numbers that have an open position in the relevant contract and shuffles them into random order.
 - An order number is randomly picked.

- Incrementing the count of contracts to be allocated on the selected order by 1.
 - That order number is associated with the customer account holding the position who then receives an exercise notice.
3. Once no more contracts are needed to be allocated, the system will exercise the short option contracts that were chosen during this lottery process. This is done by removing the option contracts from the customer's account and adding the deliverables to the customer's account. For example, if an option contract delivers shares, the system will open the deliverable quantity of shares at strike price on the customer's account and remove the exercised option position. If the deliverable is cash, the system will deliver a corresponding debit to the customer's account and remove the exercised option position.
 4. The process is repeated for all the option symbols that require allocation.

Example:

1. Assignment of 5 contracts of QQQ is received by AQUAS Financial.
2. The following steps will be looped 5 times until all 5 contracts are allocated:
 - 7 orders are located that currently have open positions of this option contract. (No particular order)

Index in the list	Customer account	Order no.	Contracts sold	Contracts assigned
1	15	1225	1	
2	17	1364	13	
3	26	1843	200	
4	15	1185	5	
5	30	1023	1	
6	15	269	32	
7	26	1855	32	

* The list gets randomly shuffled (Every time the shuffle will be unique).

Index in the list	Customer account	Order no.	Contracts sold	Contracts assigned
3	26	1843	200	
7	26	1855	32	
1	15	1225	1	
5	30	1023	1	
2	17	1364	13	
4	15	1185	5	
6	15	269	32	

* A random number between 1 and 7 is generated: that number is 6 in this example. This index in the list then gets assigned 1 contract.

Index in the list	Customer account	Order no.	Contracts sold	Contracts assigned
3	26	1843	200	
7	26	1855	32	
1	15	1225	1	
5	30	1023	1	
2	17	1364	13	

4	15	1185	5	
6	15	269	32	1

This process repeats until all 5 contracts are assigned.

Assume that process results in the following:

Index in the list	Customer account	Order no.	Contracts sold	Contracts assigned
6	15	269	32	1
5	30	1023	1	
7	26	1855	32	
1	15	1225	1	1
3	26	1843	200	1
2	17	1364	13	1
4	15	1185	5	2

Customer accounts 15, 17, and 26 will receive exercise notices for the number of randomly assigned contracts as indicated in the table above.