



111 W. Jackson Blvd., Suite 1210 - Chicago, IL 60604  
Tel: (312) 256.9600

## **IMPORTANT DISCLOSURES**

*Last Update: 01/21/2016*

## **SpiderRock EXS' Business Continuity Plan: Disclosure (Appendix A)**

SpiderRock EXS, LLC has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

**Contacting Us** – If after a significant business disruption you cannot contact us as you usually do at 312-256-9600 or [cs@spiderrock.net](mailto:cs@spiderrock.net), you should call one of our alternative numbers 312-986-8710/614-581-2539 or go to our website at <http://www.spiderrock.net>. If you cannot access us through either of those means, you should contact your clearing firm for instructions on how it may provide prompt access to funds and securities, enter or cancel orders or process other trade-related, cash and security transfer transactions for our customers.

**Our Business Continuity Plan** – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our customers are informed if we are unable to continue our business.

The customer's clearing firm will back up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by the customer's clearing firm that its objective is to restore its own operations and be able to complete existing transactions and accept new transactions and payments within 5 business days. Your orders and requests for funds and securities could be delayed during this period. Please refer to your respective clearing brokers SBD Policy for more information.

**Varying Disruptions** – Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within 5 business days. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business as soon as possible. In either situation, we plan to continue in business, transfer operations to an available firm or location if necessary, and notify you through our website <http://www.spiderrock.net> or our customer emergency number, 312-256-9699. If the significant business disruption is so severe that it prevents us from remaining in business, we will provide our customer's prompt notice of the situation.

**For more information** – If you have questions about our business continuity planning, you can contact us at 312-256-9600 or [cs@spiderrock.net](mailto:cs@spiderrock.net)

## **Disclosure with Respect to Order Flow**

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SpiderRock EXS, LLC is required by the Securities and Exchange Commission (SEC) to disclose its policies with respect to payment for order flow. According to the SEC, payment for order flow may include monetary payment, reciprocal agreements, services, property, or any other benefit that results in remuneration, compensation, or consideration to a broker-dealer in return for routing of customer order flow and includes exchange rebates and credits.

SpiderRock EXS, LLC may participate in payment for order flow programs that result in SpiderRock EXS receiving remuneration, compensation, or consideration for directing orders to broker-dealers, exchanges and market centers for execution. The source and nature of such compensation received will be furnished upon written request.

SpiderRock EXS, LLC is committed to the best execution for our clients regardless of our participation in these programs.

## **Expiration Process and Risks**

### **Expiration, Exercising and Associated Risks**

SpiderRock EXS is furnishing this document to you to provide some basic facts about the options expiration process and the risks associated with exercising and expiring options. This document is not intended to enumerate all of the risks entailed in the exercise or expiration process. Before trading options, you should fully understand the risks of trading options. It is expected that you will read the booklet entitled “*Characteristics and Risks of Standardized Options*” available at [www.SpiderRock.net](http://www.SpiderRock.net). If you have any questions about the exercise or expiration process, email us at [\*\*CS@SpiderRock.net\*\*](mailto:CS@SpiderRock.net).

### **Early Exercise of Options**

If you wish to exercise an option contract prior to the last business day before expiration (“Expiration Friday”) \*\* you must submit an exercise request to your **clearing firm**. Failure to do so will result in the contracts not being exercised.

### **In-the-money Options Automatically Exercise**

The Options clearing Corporation (OCC) will automatically exercise any expiring options that close in-the-money by **\$0.01** or more. If you wish to **NOT exercise** an in-the-money option – you must contact your clearing firm.

### **At-the-Money Options and Out-of-the-Money Options -**

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 your clearing firm with an exercise request to exercise these options.

### **Exercises, Assignments and Your Account Equity**

You should review your positions prior to expirations to determine whether you have adequate equity in your account prior to exercising options. You should also determine whether you have adequate equity in the account if a short options position is assigned to your account. It may make sense to close positions in expiring options prior to the market close to avoid the risks if you do not have adequate capital in your account, or if you do not want to bear the risks associated with a long or short stock position. Also, you should consider the possibility that you may be assigned on a short option position even if the option is out-of-the-money.

## **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 your part to manage the expiration risks. You are responsible for managing this risk and for risks associated with any unhedged spread legs that expire in-the-money. If you do not want to exercise an expiring in-the-money leg of a spread, you must notify your clearing firm.

## **The Assignment Process**

Your clearing firm processes the assignments made by OCC to customers with short options positions on either a FIFO/ or a random basis. Your clearing firm will process assignments and exercises in your account the evening of Friday expiration.

## **Managing Risks Following Expiration**

You may need to review your account and manage any positions that generate margin or risk resulting from exercises or assignment on the trading day following expiration. You are responsible for trading position that result from expiration process. If you do not take appropriate action, you may receive a margin call from your clearing firm.

## **Naked Options Risk Info**

### **Special Statement for Uncovered Option Writers**

There are special risks associated with uncovered option writing that may expose investors to significant losses. Therefore, this type of strategy may not be suitable for all customer approved for option transactions.

- 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 value of the underlying instrument increases above the exercise price.
- 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 loss could be substantial if there is significant decline in the value of the underlying instrument.
- Uncovered option writing is 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.
- For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk of losses is substantial and unlimited.
- If a secondary market in options in which an investor holds positions were to become unavailable, investors could not engage in closing transaction, thus an option writer would remain obligated until expiration or assignment in that option and the option writer's potential risk of losses would be substantial and unlimited.
- The writer of an American-style option is subject to being assigned from the time the option has been written until the option expires. By contrast, the writer of a European-style option is subject to assignment only at expiration.

## **Spread Trade Risk Info**

### **Risk of Being Assigned on One Leg of a Spread Due to Early Exercise**

The individual “legs” of a spread are subject to early exercise risk. This may remove the protection that certain spread position may 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 you anticipated when you entered into the position.

### **The Execution of a Spread Order is “Not Held” and is Discretionary**

A Spread is not a standardized option contract like each individual leg of a spread and, accordingly, there is no disseminated spread market that provides a benchmark price, such as the national best bid or offer (NBBO) for individual option series, for spread orders. 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.

### **You do Not leg into Spreads**

Spread trades are done as a single trade and are not legged or paired 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 for each leg. Both legs of the spread must be executed on the same exchange.

### **Risk Associated with the Delayed Reporting of Spread Trades**

Spread trades are executed at the discretion of the specialists or market makers responsible for executing your orders on the e exchanges. When a spread order is cancelled or filled, the specialist or market makers may be required to take manual action that may require additional reporting. Such delays in reporting fills and cancels create risk, especially in fast moving markets. Any trade executed via the SpiderRock EXS multi-leg ticket Seeker strategy will be sent to the exchange as a spread trade and will be subject to the risk outlined above. Other strategies within the SpiderRock EXS multi-leg ticket are subject to leg execution risk.

## **Risks of Shorting Stock**

There are special risks associated with shorting stock in a margin account that exposes the investor to potentially significant losses. Therefore, this type of strategy may not be suitable for all customers.

Please read the following carefully:

- **Unlimited Risk.** Shorting stock can be a risky strategy for investors. There is unlimited risk (loss) to the upside when shorting stock and limited reward (gain) if the stock falls to zero.
- **Hard –to-borrow Fees May be Charged.** If a customer is short a stock, the clearing firm has to borrow it in order to deliver it to the buyer. When there is a huge demand to short a stock, and a shortage of shares available to borrow, holders of long stock can charge very high rates to borrow stock. These rates are classified as hard-to-borrow rates and occur when the customer initially shorts a stock or while the stock is being held short by the customer. In either scenario, a customer most likely will incur hard- to-borrow fees without prior notice. These fees are at a market rate and charged by your clearing firm on a daily basis. A customer needs to closely monitor their hard-to-borrow fees to ensure they still believe shorting the stock is worthwhile.
- **Buy-in-Risk-** If a customer is short a stock, and there is a shortage of shares available to borrow, the customer may be a risk for a buy-in of the stock, which can happen without warning.
- **Margin Risk.** Shorting stock is suitable only for the knowledgeable investor who understands the risk, has the financial capacity and wherewithal to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the stock increases, your clearing firm will request significant additional margin payments.
- **Cash Account-** A cash account may not short stock, and therefore, these risks are not applicable.

## Nature and Risks of Advanced Orders

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SpiderRock EXS provides certain types of “advanced orders” as a service to its customers. However, advanced orders pose unique risks that you should understand before making use of them. By choosing to use the advanced orders service you acknowledge that you have read, understood, and will abide by the following terms and conditions.

Advanced orders are held at SpiderRock EXS on SpiderRock EXS servers and are not sent or routed to the marketplace until they are triggered based on the conditions you specified at the time the order was created or modified. All advanced orders are delivered on a “not held” basis. Advanced orders are subject to additional risk due to system failure or technical difficulties, whether at SpiderRock EXS or at any exchange, clearing house or service provider. In addition, some advanced orders may not be eligible for execution at the time the order is triggered, such as orders that conflict with other open orders or existing positions, or orders that are no longer supported by your approved trading level.

Furthermore, you understand that advanced orders may be affected by system outages or failures and that SpiderRock EXS is not responsible for advanced orders that are affected by quote data irregularities. Advanced orders are at risk of data transmission errors including quote data issues. In the event of a missing quote or misquote advanced orders may be erroneously delivered, or may fail to be sent to the marketplace for execution. In addition, rapid quote movements or misquotes may trigger advanced orders or impact user-defined contingent factors.

You are solely responsible for maintaining your open orders and advanced orders so as to avoid conflict or duplication of orders. SpiderRock EXS neither warrants nor guarantees that conflicting orders will be prevented by the advanced order service. You will be solely responsible for the resolution of conflicting or erroneous advanced orders at your own risk and expense.

At the time you place an advanced order the buying power in your account will be adjusted to reflect the advanced order as if it had been executed in the marketplace at either the limit price you provided or at the current market price. In the event your advance order is triggered, it will be sent directly to the marketplace without regard to any additional impact to your buying power or margin requirements. If the execution of an advance order generates a margin call you will be responsible for meeting that call within the allotted timeframe.

SpiderRock EXS provides the advanced orders service to its customers “as is” and SpiderRock EXS is not responsible for any delays, omissions or inaccuracies in the service. Furthermore, SpiderRock EXS, its affiliates, agents, and data providers do not warrant or guarantee the accuracy, sequence, completeness, timeliness, merchantability, or fitness for a particular purpose of this service. SpiderRock EXS, its affiliates, agents, and data providers are not liable to you or to anyone else for any losses caused in whole or in part by its negligence or omission in procuring, compiling, interpreting, editing, writing, reporting or delivering any information or data through its advanced orders service. By using this service you waive your right to any consequential, special or similar damages, including but not limited to lost profits,

trading losses, loss of use of this service or any other damages. SpiderRock EXS reserves the right to limit or discontinue this service at any time without prior notice to you.

You acknowledge that you have read, understood and will abide by terms and conditions of this service. Your continued use of this service constitutes your agreement with the terms and conditions stated herein.

**The Advanced Orders Service**

Advanced orders are held at SpiderRock EXS on SpiderRock EXS servers until triggered. All facets of advanced orders are compared to quote data on regular cycles, typically of less than thirty seconds. The length of the cycle may vary dependent on market conditions. SpiderRock EXS will reset user-defined moving contingent factors every quote comparison cycle. On movement of user-defined contingent factors and triggering of an advanced order the bid/ask or last sale will be used as determined by you at the time the advanced order is entered.

## SpiderRock EXS's Client Privacy Notice

### FACTS

### WHAT DOES SPIDERROCK EXS DO WITH YOUR PERSONAL INFORMATION?

<b>WHY?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.	
<b>WHAT?</b>	The types of personal information we collect and share depend on the product or service you have with us. This information can include: <ul style="list-style-type: none"> <li>■ Social security number</li> <li>■ Assets</li> <li>■ Risk tolerance</li> </ul>	
<b>HOW?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons SpiderRock EXS ("SpiderRock") chooses to share; and whether you can limit this sharing.	
<b>Reasons we can share our Personal information</b>	<b>Does SpiderRock Share?</b>	<b>Can you limit this sharing?</b>
For our everyday business purposes - such as to process your transactions, maintain your accounts(s) and operate our business.	Yes.	No.
For our marketing purposes - to offer our products and services to you	No.	We don't share.
For joint marketing with other financial companies	No.	We don't share.
For our affiliates' everyday business purposes - information about your transactions and experiences	Yes.	No.
For our affiliates' everyday business purposes — information about your creditworthiness	No.	No.
For non-affiliates to market to you	No.	We don't share.
<b>Questions?</b>	Call (312)-256-9602 or go to <a href="http://www.SpiderRock.net">www.SpiderRock.net</a>	
<b>Who we are</b>		
<b>Who is providing this notice?</b>	SpiderRock EXS 111 West Jackson Blvd. Suite 1210, Chicago, IL 60604 (312)-256-9602	

<b>What we do</b>	
<b>How does SpiderRock EXS protect my personal information?</b>	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards, secured building access, and secured office files.
<b>How does SpiderRock EXS collect my personal information?</b>	We collect your personal information, for example, when you <ul style="list-style-type: none"> <li>■ Enter into an execution arrangement.</li> <li>■ Give us your contact information</li> </ul>
<b>Why can't I limit all sharing?</b>	Federal law gives you the right to limit only <ul style="list-style-type: none"> <li>■ Sharing for everyday business purposes—information about your creditworthiness</li> <li>■ Business Partners from using your information to market to you</li> </ul>
<b>Definitions) 493-1731</b>	
<b>Affiliates</b>	Companies related by common ownership or control. They can be financial and Nonfinancial companies. <ul style="list-style-type: none"> <li>■ SpiderRock EXS currently has two affiliates: SpiderRock Platform Services, SpiderRock Advisors LLC</li> </ul>
<b>Non-affiliates</b>	Companies not related by common ownership or control. They can be financial and Nonfinancial companies. <ul style="list-style-type: none"> <li>■ SpiderRock EXS does not share with non-affiliates for marketing purposes.</li> </ul>
<b>Joint Marketing</b>	A formal agreement between non-affiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"> <li>■ SpiderRock EXS does not currently jointly market.</li> </ul>

## System Performance

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SpiderRock EXS uses a trading platform that creates trading risks associated with system response and accessibility. Delays may occur due to market conditions, system performance and/or other sources. Before you trade with SpiderRock EXS you should understand these risks and other associated trading risks. For additional information, please refer to our User Agreement and our Business Continuity Plan.

## System Requirements

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In order to take full advantage of the SpiderRock EXS services we recommend a broadband class connection with an upload speed greater than 768 Kbps.

SpiderRock EXS recommends a computer with the following minimum requirements in order to access most of our services:

- Windows XP with Service Pack 3 or later, Mac OS X or Linux
- At least 2GB RAM
- At least 1680x1050 screen resolution (minimum of 2 monitors is recommended)
- Internet connection speed greater than 768KB upstream
- You may be required to install software by 3<sup>rd</sup> party vendors. These vendors include but are not limited to Adobe ([www.adobe.com](http://www.adobe.com)), Citrix Systems ([www.citrix.com](http://www.citrix.com)), Dell ([www.dell.com](http://www.dell.com)) or Oracle ([www.oracle.com](http://www.oracle.com)). Additional standards based technology and software may be required, including applications based on SSL, SQL, ODBC or others. Please consult our user agreement and documentation for more information.