

Sarna Finance LLC Annual Disclosures

This letter contains important information for customers of Sarna Finance LLC (“Sarna” or the “Firm”). Sarna is a registered broker-dealer with the Securities and Exchange Commission (“SEC”) as well as the Financial Industry Regulatory Authority (“FINRA”), a Self-Regulatory Organization. As a customer, the Firm would like to advise you of several important disclosures, some of which are required by Sarna’s regulatory agencies. Please note that the information is being provided for informational purposes and is meant to cover certain aspects of the Firm’s business. Please contact Sarna at compliance@sarnafinance.com should you have any questions or issues concerning this notice.

Securities Investor Protection Corporation

Sarna is a member of the Securities Investor Protection Corporation (“SIPC”). You may obtain information about SIPC, including a brochure entitled *How SIPC Protects You*, by contacting SIPC at:

Securities Investor Protection Corporation
805 15th Street NW, Suite 800
Washington, D.C. 20005
Tel: (202) 371-8300
Fax: (202) 371-6728
Email: asksipc@sipc.org

This information can also be obtained through the SIPC website at www.sipc.org.

Business Continuity Plan

Pursuant to FINRA Rule 4370, Sarna maintains and periodically updates a Business Continuity Plan (“BCP”) to address the Firm’s actions in the event of a significant business disruption. The plan serves to address various types of potential disruptions to reasonably ensure that the Firm can react to a business disruption in an appropriate and timely manner. Sarna’s policy is to respond to all business disruptions by focusing on safeguarding its employees’ lives, customer assets and Firm property. Sarna’s response will be to make timely and prudent financial and operational assessments, quickly resuming essential business operations as soon as practicable, protecting the Firm’s books and records and allowing Sarna’s customers to continue processing transactions in their account(s).

Sarna provides on-line order entry services for approved clients who make self-directed investment decisions. Accordingly, Sarna’s BCP is focused on addressing potential risks that could prevent the Firm from providing these execution services and, if necessary, to implement an action plan for re-establishing such services. Sarna’s cloud network structure allows critical continuity information to be accessed from multiple locations in the event of any disruption to one or more of the Firm’s sites. Such access allows the Firm to retain duplicative storage and versatile networking facilities. These duplicative facilities may be accessed in order to continue the Firm’s operations with minimal disruption if Sarna’s principal place of business is unavailable due to either a Firm-only, business-district or city-wide disruption.

Investor Education & Protection

As a customer of Sarna and pursuant to FINRA Rule 2267, the Firm is making you aware of the availability of information through FINRA's Broker Check program regarding both Sarna and its Associated Persons who hold securities registrations. Please be advised that FINRA also offers an investor brochure describing the Broker Check program. The investor brochure may be obtained via the FINRA website at <http://brokercheck.finra.org> or through the FINRA Broker Check program Hotline Number at (800) 289-9999.

USA Patriot Act/Anti-Money Laundering Procedures

Sarna is committed to abiding by the US government's regulatory and statutory requirements regarding anti-money laundering protections. The USA PATRIOT Act (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism) was enacted to strengthen the US government's ability to combat terrorist financing and money laundering. An essential component of the USA PATRIOT Act requires financial institutions to obtain, verify and record information that identifies each person or entity with a relationship at a financial institution.

Sarna, prior to inception of a relationship and periodically during the tenure of that relationship, will ask for an individual's or a firm's legal name, street address (either principal place of business, a local office or other physical location information), taxpayer identification number, authorized account users and other information or documents that the Firm considers necessary to verify your identity. Examples of additional information include, but are not limited to, an individual's identification, articles of incorporation and a partnership or trust agreement.

Order Routing, Handling and Payment for Order Flow

Sarna seeks to execute its customer orders at the most favorable terms reasonably available under prevailing market conditions. SEC Rule 606 requires a broker-dealer that routes orders on behalf of customers to prepare quarterly reports that disclose the identity of the organizations to which it routed orders for execution. The SEC allows for a broker-dealer to be exempt from preparing these disclosures if such broker-dealer has a de minimis number of routed customer orders for a particular period. Sarna posts this SEC Rule 606 required quarterly disclosure information on its website.

Please be aware that, upon request, Sarna will disclose to you the identity of the organizations to which your orders were routed for execution during the six-month period prior to your request, whether the orders were directed or non-directed and the date/time of the executed order. Unless you specifically request that your order be routed to a particular market center, Sarna may select an execution organization(s) based on the size of the order, the trading characteristics of each security, speed of execution, likelihood of price improvement, availability of efficient automated transaction processing, guaranteed automatic execution level and other qualitative factors.

Pursuant to SEC Rule 607, broker-dealers must disclose the nature of the broker-dealer's relationship with those market centers reported, including the existence of any internalization or payment for order flow arrangements or profit-sharing relationship as it relates to that type of security. Sarna does not make any order routing decisions based on the availability of the payment for order flow. Sarna may receive the payment for order flow from a broker-dealer, national securities exchange, registered securities association, or exchange member to which it routes customers' orders for execution.

Selling Short and Selling Long

When placing any order to sell securities, you are responsible for designating the order as sell long or sell short. Sarna will generally not accept a short sale order(s) and will reject an order marked as such. All sell long orders will be for securities owned (“long” as defined in REG SHO Rule 200(c)) and, by placing your order as sell “long”, you affirm that the securities to be sold are owned by the respective customer.

Extended Trading Hours Risk

You should consider the following items should you choose to engage in extended hours trading, which means trading outside of regular trading hours. Regular trading hours generally means the time period between 9:30 a.m. and 4:00 p.m. Eastern Standard Time.

Risk of Lower Liquidity - Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because, with greater liquidity, investors can more easily buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower levels of liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not executed at all.

Risk of Higher Volatility - Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater levels of volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not executed at all, or you may receive an inferior price in extended hours trading to what you might receive during regular market hours.

Risk of Changing Prices - The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening of the next morning. As a result, you may receive an inferior price in extended hours trading to what you might receive during regular market hours.

Risk of Unlinked Markets - Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices on other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive a price on one extended hours trading system that is inferior to what you might receive on another extended hours trading system.

Risk of News Announcements - Normally, issuers release news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended trading hours, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may have an exaggerated and unsustainable effect on the price of a security.

Risk of Wider Spreads - The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value (“IIV”) - For certain Derivative Securities Products, an updated underlying index value, or

IIV, may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during the pre-market and post-market sessions, an investor who is unable to calculate the implied values for certain derivative securities products in those sessions may be at a disadvantage to securities market professionals.

Day-Trading Risk Disclosure

You should consider the following points before engaging in a day trading strategy. For purpose of this notice, a “day trading strategy” means an overall trading strategy characterized by the regular transmission by a customer of intraday orders to affect both purchase and sale transactions in the same security or securities.

Day trading can be extremely risky – Day trading, generally, is not appropriate for someone of limited resources and limited investment or trading experience and a low risk tolerance. You should be prepared to lose all of the funds that you use for day trading. In particular, you should not fund day trading activities with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership or funds required to meet your living expenses. Further, certain evidence indicates that an investment of less than \$50,000 will significantly impair the ability of a day trader to make a profit. Of course, an investment of \$50,000 or more in no way guarantees success.

Be cautious of claims of large profits from day trading - You should be wary of advertisements or other statements that emphasize the potential for large profits as a result of day trading. Day trading can lead to large and immediate financial losses.

Day trading requires knowledge of the securities markets - Day trading requires in-depth knowledge of the securities markets and trading techniques and strategies. In attempting to profit through day trading, you must compete with professional, licensed traders employed by securities firms. You should have the appropriate experience before engaging in day trading.

Day trading requires knowledge of a firm's operations - You should be familiar with a securities firm's business practices, including the operation of the firm's order execution systems and procedures. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. For example, this can occur when the market for a stock suddenly drops or if trading is halted due to recent news events or unusual trading activity. The more volatile a stock is, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may experience losses due to system failures.

Day trading will generate substantial commissions, even if the per trade cost is low - Day trading involves aggressive trading, and generally you will pay commissions on each trade. The total daily commissions that you pay on your trades will add to your losses or reduce your earnings.

Day trading on margin or short selling may result in losses beyond your initial investment - When you day trade with funds borrowed from a firm or someone else, you can lose more than the funds you originally placed at risk. A decline in the value of the securities that are purchased may require you to provide additional funds to the firm in order to avoid the forced sale of those securities or other securities in your account. Short selling as part of your day trading strategy also may lead to extraordinary losses, because you may have to purchase a stock at a very high price to cover a short position.

Potential Registration Requirements - Persons providing investment advice for others or managing securities accounts for others may need to register as either an “Investment Advisor” under the Investment Advisors Act of 1940 or as a “Broker” or “Dealer” under the Securities Exchange Act of 1934. Such activities may also trigger state registration requirements.

Telephone Conversations

Sarna, at its sole and complete discretion, may record on tape or otherwise, any telephone conversation between Sarna and its customers, their respective agents and employees.

Options Disclosure Document

As a customer of Sarna, the Firm is providing for your information and review the following link to the Options Disclosure Document (“ODD”). The ODD can be found at <http://www.theocc.com/about/publications/character-risks.jsp>. Copies are also available upon request at (212) 841-4500 or info@sarnafinance.com.

Privacy Policy

As a SEC and FINRA registered broker-dealer providing financial services, Sarna wants you to know that the Firm believes that protecting your privacy is extremely important and the Firm wants to be sure to maintain your confidence and trust. Sarna collects nonpublic information from you on the account application and related account documentation as well as from trade records. Sarna shares this information about you with our clearing agent(s) and other third parties to service your account. Otherwise, the Firm does not disclose nonpublic personal information about its customers or former customers except as required by law.

Sarna may disclose information to regulatory authorities and law enforcement officials who have jurisdiction over us or if the Firm is otherwise required to do so by applicable law. Sarna restricts access to nonpublic information about you to those employees who need to know that information in order to provide products or services to you as you have instructed. Sarna maintains physical, electronic, and procedural safeguards that comply with industry standards in order to guard your nonpublic personal information. If you decide to close your account(s) or become an inactive customer, the Firm will adhere to the privacy policies and practices as described in this notice.

Margin Disclosure Statement

If you have a margin account, it is important for you to understand that any securities purchased on margin are the clearing firm’s collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the clearing firm can take action such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account. It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The clearing firm can force the sale of securities or other assets in your margin account(s).
- The clearing firm can sell your securities or other assets without contacting you.
- The clearing firm can sell your securities without allowing you to choose which of your securities are liquidated to meet your margin call.

- The clearing firm can increase its house maintenance margin requirements at any time and is not required to provide you with an advanced notice.
- You may not be given an extension of time to meet a margin call.

Supervision & Complaints

Every Sarna Registered Representative is supervised by a Registered Principal who is responsible for the final review and approval of all transactions, sales and marketing materials/activities and other administrative support which is provided by Sarna. Should you wish to discuss any of the activities handled on your behalf by a Sarna Registered Representative with his/her supervisor, please feel free to ask your Registered Representative for the name and phone number of his/her supervisor. Should you have a complaint, please send an email to compliance@sarnafinance.com.

Professional Customers

Most US option exchanges have implemented rules which serve to distinguish orders originating from a group of public customers deemed to be "Professional" (i.e., persons or entities having access to information and/or technology which enables them to trade in a manner as a broker-dealer) as opposed to retail customers. In accordance with these rules, orders from any customer account(s) which is not held by a broker-dealer, but which places more than 390 listed option orders (whether executed or not) on a daily average across all option exchanges in a given month will be classified as Professional orders submitted on behalf of Professional customers and will be treated the same as other broker-dealer orders for the purpose of execution priority.

Sarna is required to conduct a review each calendar quarter to identify those customers who have exceeded the 390-order threshold for any month in the previous quarter in order to determine who is required to be designated as a Professional customer for the next calendar quarter. Note that, for purposes of this rule, spread orders are considered a single order regardless of the number of legs in the spread.

Financial Exploitation of Specified Adults and Trusted Contact Person

In the event that you disclosed a trusted contact when opening your account, please remember that Sarna is authorized to contact the trusted contact person and disclose information about your account to address possible financial exploitation, to confirm the specifics of your current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or as otherwise permitted by FINRA Rule 2165.

Electronically Traded Funds

Exchange Traded Funds ("ETFs") are subject to market risk including the loss of principal. Although ETFs are designed to provide investment results that generally correspond to the performance of their respective underlying indices or portfolios, they may not be able to exactly replicate the performance of the indices or portfolios because of expenses and other factors. Not all ETFs are diversified, and certain ETFs contain significant concentration risks. Diversification does not ensure a profit and does not protect against a loss in a declining market. Investments in ETFs may increase exposure to volatility through the use of leverage, short sales of securities, derivatives, and other complex investment strategies. The prospectus of each ETF should be read carefully prior to investing. When reading the prospectus, you should take into consideration the ETF's investment objective, risks, charges, expenses and other important information.