

Client Name: _____

Date: _____

The Income Producing Options Model (IPOM) Application

The Watts Gwilliam IPOM is a professionally managed call writing strategy. Using either cash to purchase a market index, or a client's existing stock position, IPOM uses computer-driven, mathematical modeling to deliver a disciplined approach to call investing. Please complete this form to add IPOM to your investment account.

SPY IPOM- S&P 500 exposure (SPY) with a call option overlay. (Must complete Disclosure I)

Initial dollars to Invest: \$ _____ (\$200,000 minimum investment)

UNCOVERED IPOM INDEX STRATEGY- IPOM can be used as an overlay to an existing portfolio through uncovered options. (Must complete Disclosure I and Proxy Risk Disclosure)

Initial dollars to Overlay: \$ _____ (\$200,000 minimum investment)

IPOM INDIVIDUAL STOCK STRATEGY (Must complete Disclosure II)

Please list the stock symbol of each position you wish to include. Also, provide the total number of shares for that position, up to three price targets, and the quantity at each price target. Attach a separate sheet if more price targets or stock holdings are desired.

A. I give Watts Gwilliam & Co. discretion on price target selection.

B. The following are my selected price targets:

Stock Symbol	Total Shares in IPOM	Price Target 1	Quantity at Target 1	Price Target 2	Quantity at Target 2	Price Target 3	Quantity at Target 3
XYZ	15,000	\$65	4,000	\$70	6,000	\$72.50	5,000

Client Initials _____

*Watts Gwilliam & Company maintains the right to move price targets based on changing market changes and as we see necessary to manage the strategy within our fiduciary duty to the investor.



RISK DISCLOSURE I
SPY IPOM & UNCOVERED INDEX STRATEGY

Assumptions Required

IPOM is supported by the use of option pricing models. These models require certain assumptions, such as dividend and interest rates, implied volatility, and other assumptions. Although many of these assumptions are somewhat predictable, actual results may vary from our forecasted assumptions. This can have a negative effect on the investment outcome.

Client Initials _____

Stock Risk

Other than the option premiums received, IPOM is not a hedging strategy. The client maintains all the downside risk associated with owning the investment. The client may elect to terminate the strategy and sell the position at any time, subject to the market value of the stock and options on the date of the request. Utilizing IPOM is not a statement of recommendation by the manager that the client retain a large, concentrated stock position.

Client Initials _____

Use of Uncovered Options

At times, the client may permit the Manager to execute the strategy using uncovered options on a proxy stock. There is no guarantee that the proxy will mimic the movements of the client's underlying stock position. There is a risk that the client's stock may go down in value at the same time the proxy increases in value causing a loss on the options. Please see the Proxy Disclosure Page

Client Initials _____

I have read and understand the risks of IPOM as outlined above. I have directed any questions or concerns to my investment profession and/or the Manager.

I acknowledge that I have read, understood and agree to the terms and conditions set forth in the Client Agreement that governs this account. Watts Gwilliam has not recommended or provided an investment opinion on the underlying stock or index, and I understand that the value of my stock or index position will be subject to the price movements of the holding. The strategy can lose money and any estimated returns that have been provided previously are forecasted and are not guaranteed. I understand that the strategy may be liquidated at any time upon request. However, such liquidations will be subject to market prices on the date of liquidation and may subject the account to losses that otherwise may have been avoided.

Client 1 Signature

Client 2 Signature

Name (printed)

Name (printed)

Date: _____



Risk Disclosure II Individual Stock Strategy

Assumptions Required

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Client Initials _____

Capped Upside

The IPOM model requires an upper price limit (price target). For some, this represents a price at which they desire to sell the stock. For those not wanting to sell their stock position, this price represents a potential “upper limit” to the stock appreciation. Due to changing market conditions we can't guarantee that these targets will be met. The client may change their price targets at any time. However, such changes increase the chance of the model providing a negative cash flow event. If the stock appreciates in value above the price target, it is likely that further appreciation in the stock value may be entirely offset by losses in the option trading, effectively capping upside potential. To cover these losses, it may be required to use cash in the account, borrow against the assets (margin) or continue to hold the option position that will offset additional gains in the stock price.

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Delayed Selling

IPOM is not intended as a mechanism for a quick liquidation of an investment position. Although market volatility may cause the stock to trade above a client's desired target price, the other party may not exercise the option. In this case, there can be a delay in selling the investment at the target price. During this delay, the stock may decline in value, possibly back below the target price. This can cause delays in the disposition of the stock position through IPOM. Any immediate desires to sell the stock should be done by contacting the Manager to request liquidation.

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Selling or Transferring of Shares

Any transactions impacting the quantity of shares held in the account (sales, transfers, gifts, etc) may affect the strategy. Such transactions done within the IPOM account require immediate notification to Watts Gwilliam & Company. Options are bilateral contracts. The owner of the contract maintains the right to exercise the option at any time. This can cause an option to be exercised prior to the expiration date of the contract (early assignment). We have a process in place to handle early assignments and this process can be explained upon request. Although unlikely, it is also possible that an early assignment could prohibit the owner of the stock from receiving a quarterly dividend, and low basis stock could be sold.

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I acknowledge that I have read, understood and agree to the terms and conditions set forth in the Client Agreement that governs this account. Watts Gwilliam has not recommended or provided an investment opinion on the underlying stock or index, and I understand that the value of my stock or index position will be subject to the price movements of the holding. The strategy can lose money and any estimated returns that have been provided previously are forecasted and are not guaranteed. I understand that the strategy may be liquidated at any time upon request. However, such liquidations will be subject to market prices on the date of liquidation and may subject the account to losses that otherwise may have been avoided.

Client 1 Signature

Client 2 Signature

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PROXY STRATEGY DISCLOSURE

The client understands that Watts Gwilliam & Company (WG&C) will be managing the IPOM strategy by selling uncovered calls on a different security than what the client currently holds. WG&C will use the margin capabilities of the client's security to enable uncovered call writing.

While it is generally preferable to sell covered calls on the underlying security, there are circumstances where selling uncovered calls can provide a solution for the client when situations such as trading windows, portfolio construction, or illiquid option activity on the client's stock, etc., require a different approach.

It is ideal if the price movement of the clients stock and the proxy are highly correlated. THERE IS NO GUARANTEE THAT THE PRICE MOVEMENTS BETWEEN THE TWO POSITIONS WILL BE HIGHLY CORRELATED IN THE FUTURE.

The client understands that there is additional risk in selling uncovered calls on a proxy position. In particular, one risk to the client is that their owned stock position declines while the proxy security is simultaneously in an uptrend. The client could simultaneously lose money from both the stock decline and from call writing on the proxy position. This risk, and others involved with selling uncovered options as discussed on the Options Disclosure Document mailed by the account custodian, should be carefully considered prior to using a proxy strategy.

Client 1 Signature

Client 2 Signature

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