



Options Trading Disclosure Statement

Variable degrees of risk

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of options (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the options premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling ('writing' or 'granting') options generally entail considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably against him. The seller will also be exposed to the risk of the purchaser exercising the options and the seller will be obligated to either settle the options in cash or to acquire or deliver the underlying interest. If the options is 'covered' by the seller holding a corresponding position in the underlying interest or a futures or another options, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the options premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the options is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

Special Options Risk Disclosures for Uncovered Option Writers

It is important that you understand that there are special risks associated with uncovered option writing that may expose you to potentially significant losses. This type of strategy therefore may not be appropriate for all clients approved with Precision Securities, LLC for options transactions.

It is important that you be aware of the following.

The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risk position and may incur large losses if the value of the underlying instrument increases above the exercise price.

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Uncovered option writing is therefore 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.

In regard to margin requirements, if the value of the underlying instrument moves against an uncovered writer's option position, significant additional margin payments may be requested. If you do not make such margin payments, the stock of options positions in your account may be liquidated with little or no prior notice, in accordance with your margin agreement.

For combination writing, where you write both a put and a call for the same underlying instrument, the potential risk is unlimited. If a secondary market in options were to become unavailable, you could not engage losing transactions and would remain obligated until expiration or assignment.

The writer of an American-style option is subject to being assigned an exercise at any time after he/ or she as written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

It is important that you know this statement is not intended to enumerate of the risks entailed in writing uncovered options. We suggest that you also read the booklet titled "Characteristics and Risks of Standardized Options" given to you upon the opening of your options account with Precision Securities, LLC. We specifically direct your attention to the chapter that discusses risks associated with uncovered options.

Should you have any additional questions concerning uncovered options, you may submit a written request for additional information to our Customer Service Department located at 16685 Via Del Campo Ct., Suite 120, San Diego, CA 92127.

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