



SCORE PRIORITY

## **SPECIAL OPTIONS RISK DISCLOSURE STATEMENT FOR UNCOVERED OPTION WRITERS**

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 Score Priority Corp. ("SPC") 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 risky position and may incur large losses if the value of the underlying security 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 security declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying security.
- 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 security moves against an uncovered writer's option position, significant additional margin payments may be requested. If you do not make such margin payments, SPC may liquidate stock or options positions in your account, with little or no prior notice in accordance with your margin account agreement.
- For combination writing, where you write both a put and a call for the same underlying security, the potential risk is unlimited. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer 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 has 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 read the booklet entitled "Characteristics and Risks of Standardized Options" provided to you prior to the approval of your options account with SPC. You should pay particular attention to the chapter entitled Risks of Buying and Writing Options.