R.F. Lafferty & Co., Inc.
Est. 1946

Options Disclosure

Important Note: Options involve risk and are not suitable for all investors. For more information, please read the Characteristics and Risks of Standardized Options (link attached) before you begin trading options. Also, there are specific risks associated with covered call writing including the risk that the underlying stock could be sold at the exercise price when the current market value is greater than the exercise price the call writer will receive. Moreover, there are specific risks associated with trading spreads including substantial commissions, fees, and charges because it involves at least twice the number of contracts as a long or short position and because spreads are almost invariably closed out prior to expiration. Due to the short-term nature, weekly options have specific risks including illiquidity and the risk that the underlying stock could be sold at the exercise price when the current market value is greater than the exercise price the call writer will receive. Price changes can occur quickly in the underlying stock and could generate significant changes to any potential profit & losses and limit the time to adjust. Because of the importance of tax considerations to all options transactions, the investor considering options should consult his/her tax adviser as to how taxes affect the outcome of covered call writing. Commissions and other costs may be a significant factor. An Options investor may lose the entire amount of their investment in a relatively short period of time.

A call option gives an investor the right to buy a stock from another investor who sold him the "call option" at a specific price on or before a specified date. Calls increase in value when the price of the underlying security increases and decrease in value when the price of the underlying security declines. A put option gives an investor the right to sell a stock to another investor who sold him the "put option" at a specific price, on or before a specified date. Puts increase in value when the price of the underlying security declines and decrease in value when the price of the underlying security increases. Covered call writing-is an options strategy whereby an investor holds a long position in an asset and writes (sells) call options on that same asset to generate increased income from the asset. This is often employed when an investor has a short-term neutral view on the asset and for this reason hold the asset long and simultaneously have a short position via the option to generate income from the option premium. This position is "covered" as there is a maximum gain possible which is if the asset is higher than the strike price. There is the opportunity for loss as well if the asset is lower than the purchase price of the asset subtracted from the premium collected on the sale of the call. If you would like a copy mailed to you, please inquire at: operations@rflafferty.com

Uncovered 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 customers approved for options 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 a 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. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, **RFL** may request significant additional margin payments. If an investor does not make such margin payments, RFL may close stock or options positions in the investor's account with little or no prior notice in accordance with the investor's margin agreement. 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 transactions, 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 exercise assignment only during the exercise period.