

SPECIAL STATEMENT FOR UNCOVERED OPTION WRITERS

There are special risks associated with uncovered option writing, which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

1. 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.
2. As with writing uncovered calls, the risk of writing uncovered put options 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.
3. Uncovered options writing are suitable only for the knowledgeable investor who understands the risks, and has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. If the value of the underlying instrument moves against an uncovered writers option position, we may request significant additional margin payments. If an investor fails to make such margin payments, COR Clearing may liquidate stock or options in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.
4. For combination writing, where the investor writes both puts and calls on the same underlying instrument, the potential risk is unlimited. It is expected that you have read and understood "Characteristics and Risks of Standardized Options." In particular, your attention is directed to the chapter entitled 'Risk of Buying and Writing Options.' This statement is not intended to enumerate all the risks entailed in writing uncovered options.
5. 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.
6. The writer of an American-style option is subject to be assigned an exercise at any time after he 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.

IMPORTANT: It is expected that you will read the booklet entitled *Characteristics and Risks of Standardized Options*. In particular, your attention is directed to the chapter entitled "Risks of Buying and Writing Options." This statement is not intended to enumerate all the risks entailed in writing uncovered options.