

SPECIAL STATEMENT FOR UNCOVERED OPTIONS WRITERS (CUSTOMER COPY - PLEASE RETAIN FOR YOUR RECORDS)

There are special risks associated with uncovered options writing that expose the investor to potentially significant loss. Therefore, this type of strategy is not suitable for everyone and persons considering should be aware of these conditions:

I. 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 rises above the exercise price of the option.

II. The risk of writing uncovered put options is substantial. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

III. Therefore, uncovered options 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, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.

IV. The potential risk for combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

V. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and the options writer could remain obligated until expiration or assignment.

VI. The writer of an American style option is subject to being assigned an exercise at any time after the option is written until expiration. By contrast, European-style options may be exercised only at expiration.

NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. 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.