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INVESTING FOR YOUR WORLD

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## OPTIONS ACCOUNT Suitability Agreement

Chelsea Financial Services would like to take this opportunity to formally confirm your understanding of the following:

- Due to the nature of short term nature of options, higher degrees of risk are associated with these types of activities. Option trading is not suitable for all investors. Accordingly, it should only be undertaken by investors who understand the nature of the risk involved and are financially capable to sustain a loss of part, or all, of their investment capital.
- Your portfolio will tend to be more volatile with Option trading.
- High-risk and speculative Option trading is not appropriate for investors of limited resources, limited investment experience, limited trading experience, advanced age and/or those with a low risk tolerance. A high-risk tolerance as well as investment objectives consistent with high-risk / speculative investing are prerequisites for an Option account. In addition, customers who frequently trade Options should not have any short term needs for the funds invested into their Option account.
- I expressly acknowledge that my investment objectives involve risk and speculation. I further acknowledge that it is my obligation to notify Chelsea Financial Services in writing in the event of a change in my risk tolerance or investment objectives.
- **OPTIONS VALUE STEADILY DECREASES BASED ON TIME REMAINING IN THE OPTION WHICH CAN RESULT IN THE LOSS OF YOUR ENTIRE INVESTMENT.**
- **YOU SHOULD NOT INVEST IN OPTIONS UNLESS YOU CAN AFFORD TO LOSE YOUR ENTIRE INVESTMENT.**
- When engaging in a high degree of activity, overall fees on your account will be greater than those experienced with a buy and hold strategy. In this regard, Option trading may generate significant transaction costs and commissions.
- Option buys and sells can have certain tax consequences which should be discussed with your tax consultant or accountant.

**I have read, understand and agree to this Option Account Suitability Agreement. I have also received, read, and understand the booklet titled Characteristics and Risks of Standardized Options. I am specifically aware of the liabilities which may be incurred through Option trading. I acknowledge that all transactions initiated by me are affirmatively accepted by me as suitable for my personal and financial situation as well as consistent with my investment objectives which include speculation. I further acknowledge my responsibility to review all Confirmation Statements transmitted to me immediately upon receipt and bring any issues related to same to the attention of Chelsea Financial Services in writing within seven (7) days thereof.**

**Cognizant of these facts, I declare under penalties of perjury that an Option trading strategy is indeed consistent with my personal faculties, financial capabilities and investment objectives.**

\_\_\_\_\_  
Customer Name

\_\_\_\_\_  
Customer Name (if Joint)

\_\_\_\_\_  
Customer Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Customer Signature (if Joint)

\_\_\_\_\_  
Date

Account Number \_\_\_\_\_

Member FINRA, MSRB & SIPC

**For FirstSouthwest and/or Broker/Dealers for which it clears transactions**

**If Account Approved for Uncovered Options Transactions**

There are special risks associated with uncovered options writing that 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 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.
  
3. 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, 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 Customer Margin and Short Agreement.
  
4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
  
5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an options writer would remain obligated until expiration or assignment.
  
6. The writer of an American-style option is subject to exercise assignment 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.

**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 of the risks entailed in writing uncovered options.

**Acknowledgement**

I, the undersigned, hereby acknowledge that I have read and understand the foregoing risk disclosure document regarding uncovered options writing.

\_\_\_\_\_  
Signature(s)

\_\_\_\_\_  
Date

Name(s): \_\_\_\_\_ Account #: \_\_\_\_\_  
Printed or Typed