

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

Open **Update**

Account Number: _____ Office/A.E. Number: _____ Social Security Number (SSN) or Tax ID (TIN): _____

Account Registration: _____ Email Address: _____

Account Name(s): _____

Date of Birth: _____ Marital Status: S M D W N/A No. of Dependents: _____ Home Phone: _____

Mailing Address (If P.O. Box, Must Have Physical Address): _____ City: _____ State: _____ Zip: _____

Employer: _____ Position: _____ Work Phone: _____

Annual Income: \$ _____ Liquid Net Worth (Cash, Stock, Etc. - Net Worth Less Residence): \$ _____ Net Worth: \$ _____

Is this account using an option investment strategy in concert with other accounts? Yes No If Yes, Primary Account # _____

In Concert Account(s) (attach additional pages if additional room is required):

Investment Experience (Select Letter Indicating Years of Experience A = 0 years B = 1-5 years C = More than 5 years)

Stocks _____ Bonds _____ Options _____ Mutual Funds _____

Investment Objectives (Rank in order of importance 1-5, 1 being highest priority)

Speculation _____ Growth _____ Aggressive Income _____ Income _____ Preservation of Capital _____

Your previous option activity has been:

_____ Covered call _____ Buying _____ Complex Strategies _____ Uncovered (sales) _____ No Activity

Source of this information:

By Customer _____ Other _____

APPLICATION FOR OPTIONS STRATEGY APPROVALS

Client Options Strategy Requests - Please Indicate the Strategy Level You (the Customer) Wish to Employ

Each level of approval includes the preceding level(s) of approval. Example: Level 4 approval includes levels 1, 2, and 3.

_____ **Level 1: Covered Call Writing** – Calls fully covered by the underlying stock or security convertible into the underlying stock. Stock may be called at any time prior to expiration, requiring owner to sell underlying stock at the strike price or convert convertible security to satisfy delivery.

Cash Secured Put Writing – Puts fully covered by cash. The option may be assigned at any time prior to expiration, requiring the put writer to purchase the underlying stock at the strike price.

_____ **Level 2: Purchase Calls and/or Puts** - Purchasing of puts to hedge a portfolio or purchasing of calls to hedge a short security position. The purchase of puts and/or calls can also be a speculative investment. A purchaser's profit or loss is usually determined by selling (closing) the position. However if the position is not closed or exercised it may expire worthless on expiration date.

_____ **Level 3: Spreads/Long Straddles** - Requires the use of margin account. Spreads are transactions involving buying and writing multiple options in combination. Long straddles are transactions involving the purchase of both a call and a put and are used by investors to speculate on the price movement of the underlying stock.

_____ **Level 4: Equity Put Writing*** - Requires the use of margin account. If assigned the put writer must purchase the underlying stock at the strike price, which may be substantially above the current market price. Put writing involves substantial monetary risk.

_____ **Level 5: Uncovered Call Writing/Index Put Writing/Short Straddles*** - Requires the use of margin account. If assigned, the uncovered call writer may incur large losses if the value of the underlying stock increases above the exercise price. Uncovered call writing, index put writing, and short straddles involve substantial monetary risk.

_____ **Level 6: Uncovered Index Writing*** - Requires the use of margin account. Writer is obligated to settle in cash for the difference between the contract strike and the actual index at the time of exercise or contract expiration. Writing uncovered index options involves substantial monetary risk.

*Also requires a special statement for uncovered options writers.



BY SIGNING BELOW, YOU CERTIFY THAT THE ABOVE INFORMATION IS COMPLETE AND ACCURATE. YOU AGREE TO ADVISE FIRST SOUTHWEST COMPANY ("FSC") AND/OR YOUR INTRODUCING BROKER PROMPTLY OF ANY MATERIAL CHANGE IN YOUR FINANCIAL STATUS AND/OR INVESTMENT OBJECTIVES, AND YOU ACKNOWLEDGE YOUR OPTIONS STRATEGIES MAY NOT BE CONSISTENT WITH YOUR OVERALL INVESTMENT STRATEGIES AND MAY CHANGE FROM TIME TO TIME AS MARKET CONDITIONS DICTATE. YOU REPRESENT TO FSC AND/OR YOUR INTRODUCING BROKER THAT YOU HAVE THE KNOWLEDGE AND EXPERIENCE REQUIRED TO TRANSACT OPTIONS TRADES AND REQUEST THAT YOUR ACCOUNT BE APPROVED FOR THE ABOVE REQUESTED OPTIONS STRATEGIES. YOU FURTHER REPRESENT THAT YOUR RISK EXPOSURE AND TRADING LOSSES WILL BE WELL WITHIN YOUR FINANCIAL CAPABILITIES AND YOUR TRADING WILL BE LIMITED TO THE STRATEGIES YOUR ACCOUNT IS APPROVED FOR. BY SIGNING BELOW, YOU AGREE TO ALL TERMS OF THE CUSTOMER OPTIONS AGREEMENT INCLUDED WITH THIS OPTIONS ACCOUNT APPLICATION. YOU ACKNOWLEDGE RECEIPT OF A COPY OF THIS APPLICATION, THE CUSTOMER OPTIONS AGREEMENT AND THE SPECIAL STATEMENT FOR UNCOVERED OPTIONS WRITERS ATTACHED HERETO. YOU UNDERSTAND YOU CAN REVIEW A COPY OF THE ENTIRE CUSTOMER OPTIONS AGREEMENT AND THE SPECIAL STATEMENT FOR UNCOVERED OPTIONS WRITERS AT ANY TIME BY ACCESSING WWW.FIRSTSWCLEARING.COM. YOU CERTIFY THAT YOU HAVE READ, UNDERSTAND AND AGREE WITH ALL PROVISIONS OF THE CUSTOMER OPTIONS AGREEMENT AND THE SPECIAL STATEMENT FOR UNCOVERED OPTIONS WRITERS. THE CUSTOMER OPTIONS AGREEMENT BENEFITS FIRST SOUTHWEST COMPANY, INTRODUCING BROKERS FOR WHICH IT CLEARS TRANSACTIONS AND PERSONS RELATED TO EACH OF THE FOREGOING. WITHIN THE CUSTOMER OPTIONS AGREEMENT, PAGE 2, PARAGRAPH 6 CONTAINS A PRE-DISPUTE ARBITRATION CLAUSE.

X _____ X _____
 Customer Signature Date Customer Signature (if Joint Account) Date

BROKERS USE ONLY

TO BE COMPLETED BY MANAGER PRIOR TO OPTIONS TRADING

"Characteristics and Risks of Standardized Options" Date Delivered: _____ (required for all option accounts)
 "Special Statement for Uncovered Options Writers" Date Delivered: _____

APPROVED FOR THE FOLLOWING OPTIONS STRATEGIES Each level of approval includes the preceding level(s) of approval. (Example: Level 4 approval includes levels 1, 2, and 3):

___ Level 1: Covered Call and/or Cash Secured Put Writing ___ Level 2: Purchase Calls and/or Puts ___ Level 3: Spreads/Long Straddles
 ___ Level 4*: Equity Put Writing ___ Level 5*: Uncovered Call Writing/Index Put Writing/Short Straddles ___ Level 6*: Uncovered Index Writing

*Also requires a special statement for uncovered options writers.

X _____ X _____
 A.E. Signature Date R.O.S.F.P.'s Signature Date

PLEASE NOTE: This form must be completed 1) to open an options account, 2) to update an existing options account or 3) to update background and financial data.

Customer Options Agreement

In connection with any transactions in puts and calls options (including combinations of the two) FSC and/or each broker/dealer for which it clears transactions (referred to hereinafter as the "Introducing Broker") may handle, purchase, sell and/or endorse for your account, you confirm and agree as follows:

1. Where the term "option(s)" is used, it refers to all types of options, including but not limited to equity, debt, index and the dealing in them.
2. This Agreement shall apply to all puts and calls that FSC and/or the Introducing Broker may have purchased, sold, endorsed, executed or otherwise handled for your account and all puts or calls that FSC and/or the Introducing Broker may hereafter purchase, sell, endorse, execute or otherwise handle for your account.
3. You shall not, acting alone or in concert with others, exceed the position and exercise limits set forth by any exchange or market or by any other regulatory authority having jurisdiction.
4. Unless you give FSC and/or the Introducing Broker specific instructions as to where to direct your orders; you hereby authorize FSC and/or the Introducing Broker, at its sole discretion, to select the exchange or market to which your orders, or any of them, are directed.
5. Every option transaction for your account shall be conducted in accordance with the constitution, by-laws, rules, regulations, directions, requirements and customs (including all changes, amendments or additions therein or thereto that may affect such transactions) of the exchange or other market on which such transaction is executed or is intended by FSC and/or the Introducing Broker to be executed and of the clearing corporation or other association, body or institution performing similar functions connected therewith, as well as of all committees, boards and other bodies, officials and authorities thereof, or if any transaction is not executed or intended by FSC and/or the Introducing Broker to be executed on any such exchange, board of trade or other market, then such transactions shall be subject to and in accordance with the prevailing usages and customs with respect to similar transactions and, where applicable to the provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and present and future acts amendatory thereof and supplemental thereto, and the rules and regulations of the Securities and Exchange Commission, the Board of Governors of the Federal Reserve System and of the FINANCIAL INDUSTRY REGULATORY AUTHORITY, insofar as they may be applicable.
6. **THIS CUSTOMER OPTIONS AGREEMENT CONTAINS A PRE-DISPUTE ARBITRATION CLAUSE. BY SIGNING AN ARBITRATION AGREEMENT THE PARTIES AGREE AS FOLLOWS:**
 - A. ALL PARTIES TO THIS AGREEMENT ARE GIVING UP THE RIGHT TO SUE EACH OTHER IN COURT, INCLUDING THE RIGHT TO A TRIAL BY JURY, EXCEPT AS PROVIDED BY THE RULES OF THE ARBITRATION FORUM IN WHICH A CLAIM IS FILED.
 - B. ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED.
 - C. THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS.
 - D. THE ARBITRATORS DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD UNLESS, IN AN ELIGIBLE CASE, A JOINT REQUEST FOR AN EXPLAINED DECISION HAS BEEN SUBMITTED BY ALL PARTIES TO THE PANEL AT LEAST 20 DAYS PRIOR TO THE FIRST SCHEDULED HEARING DATE.
 - E. THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.
 - F. THE RULES OF SOME ARBITRATION FORUMS MAY IMPOSE TIME LIMITS FOR BRINGING A CLAIM IN ARBITRATION. IN SOME CASES, A CLAIM THAT IS INELIGIBLE FOR ARBITRATION MAY BE BROUGHT IN COURT.
 - G. THE RULES OF THE ARBITRATION FORUM IN WHICH THE CLAIM IS FILED, AND ANY AMENDMENTS THERETO, SHALL BE INCORPORATED IN THIS AGREEMENT.

ANY AND ALL CONTROVERSIES, DISPUTES OR CLAIMS BETWEEN YOU AND FSC, OR THE INTRODUCING BROKER, AGENTS, REPRESENTATIVES, EMPLOYEES, DIRECTORS, OFFICERS OR CONTROL PERSONS OF FSC OR THE INTRODUCING BROKER, ARISING OUT OF, IN CONNECTION WITH, FROM OR WITH RESPECT TO (a) ANY PROVISIONS OF OR THE VALIDITY OF THIS CUSTOMER OPTIONS AGREEMENT OR ANY RELATED AGREEMENTS, (b) THE RELATIONSHIP OF THE PARTIES HERETO, OR (c) ANY CONTROVERSY ARISING OUT OF FSC'S BUSINESS, THE INTRODUCING BROKER'S BUSINESS OR YOUR ACCOUNTS, SHALL BE CONDUCTED PURSUANT TO THE CODE OF ARBITRATION PROCEDURE OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY ARBITRATIONS MUST BE COMMENCED BY SERVICE OF A WRITTEN DEMAND FOR ARBITRATION OR A WRITTEN NOTICE OF INTENTION TO ARBITRATE. IF FSC IS A PARTY TO SUCH ARBITRATION, TO THE EXTENT PERMITTED BY THE RULES OF THE APPLICABLE ARBITRATION TRIBUNAL, THE ARBITRATION HEARING SHALL BE CONDUCTED IN DALLAS, TEXAS. THE DECISION AND AWARD OF THE ARBITRATOR(S) SHALL BE CONCLUSIVE AND BINDING UPON ALL PARTIES, AND ANY JUDGMENT UPON ANY AWARD RENDERED MAY BE ENTERED IN A COURT HAVING JURISDICTION THEREOF, AND NEITHER PARTY SHALL OPPOSE SUCH ENTRY.

NO PERSON SHALL BRING A PUTATIVE OR CERTIFIED CLASS ACTION TO ARBITRATION, NOR SEEK TO ENFORCE ANY PRE-DISPUTE ARBITRATION AGREEMENT AGAINST ANY PERSON WHO HAS INITIATED IN COURT A PUTATIVE CLASS ACTION, OR WHO IS A MEMBER OF A PUTATIVE CLASS WHO HAS NOT OPTED OUT OF THE CLASS WITH RESPECT TO ANY CLAIMS ENCOMPASSED BY THE PUTATIVE CLASS ACTION UNTIL: (i) THE CLASS CERTIFICATION IS DENIED; OR (ii) THE CLASS IS DECERTIFIED; OR (iii) YOU ARE EXCLUDED FROM THE CLASS BY THE COURT. SUCH FORBEARANCE TO ENFORCE AN AGREEMENT TO ARBITRATE SHALL NOT CONSTITUTE A WAIVER OF ANY RIGHTS UNDER THIS CUSTOMER OPTIONS AGREEMENT EXCEPT TO THE EXTENT STATED HEREIN.

ALL ARBITRATION PROCEEDINGS SHALL BE CONDUCTED IN THE ENGLISH LANGUAGE, UNLESS OTHERWISE AGREED BY THE PARTIES BY WRITTEN STIPULATION ENTERED INTO IN THE COURSE OF SUCH ARBITRATION PROCEEDING.

IF YOU ARE NOT RESIDING IN THE UNITED STATES AT THE TIME OF ANY CONTROVERSY BETWEEN YOU AND FSC AND/OR THE INTRODUCING BROKER SUBJECT TO THIS ARBITRATION AGREEMENT, YOU AGREE TO THE PROVISIONS SET FORTH ABOVE AND THE FOLLOWING ADDITIONAL PROVISIONS: (i) THE RULES OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY SPECIFICALLY PROVIDES FOR THE DESIGNATION OF THE PLACE WHERE THE ARBITRATION IS TO BE HELD; AND (ii) YOU SUBMIT TO THE PERSONAL JURISDICTION OF THE STATE OF TEXAS AND AGREE THAT THE COURTS OF SUCH STATE SHALL HAVE AUTHORITY AND JURISDICTION TO INTERPRET AND ENFORCE THESE ARBITRATION PROVISIONS AS SET FORTH IN THIS CUSTOMER OPTIONS AGREEMENT.

To the extent allowed by law, all applicable statutes of limitation and defenses based upon the passage of time related to any civil action or claim shall be tolled while the arbitration procedures specified in this section are pending. You agree to take any actions necessary to effectuate such tolling. You further agree that, to the extent allowed by law, any obligations owed to FSC that arise in connection with your account(s) are collectable from marital community property estate assets.

7. You have executed and hereby confirm that you agree to be bound by all terms and conditions set forth in FSC and/or the Introducing Broker's Account Application and Customer Agreement and the Customer Margin and Short Agreement, if applicable.
8. In the event that you do not promptly meet FSC and/or the Introducing Broker's calls or requests for additional collateral in connection with any put or call transaction made for your account, FSC and/or the Introducing Broker is hereby authorized, in its sole discretion and without notification to you, to take any and all steps necessary to protect FSC and/or the said Introducing Broker in connection with any such put or call transaction, including the right to buy, sell, sell short or short exempt for your account and risk any or all of the options or securities represented by options purchased, sold, endorsed, executed or otherwise handled by FSC and/or the Introducing Broker for your account. You further agree to reimburse FSC and/or the Introducing Broker for any and all expenses, losses, damages and liabilities incurred by it in this connection.
9. As additional consideration for the opening sale of call option(s) for your accounts, you hereby agree that you will not sell, during the life of such option(s) the underlying securities collateralizing such options including any cash or securities, which may accrue on such underlying covered securities until such option(s) are closed, exercised, expire, or you have met the collateral requirements established by FSC and/or the Introducing Broker for carrying uncovered call options. You also agree that FSC and/or the Introducing Broker, in its sole discretion, may refuse any orders to sell such underlying securities that it receives from you or by means of a "give-up" basis through another broker unless, prior to such sale, you have met the collateral requirements established by FSC and/or the Introducing Broker for carrying uncovered call options. FSC and/or the Introducing Broker has the right, at its sole discretion, to permit you to apply the proceeds of such sale to such collateral requirements.
10. It is understood that FSC and/or the Introducing Broker may, from time to time, purchase and sell options recommended to you and/or securities underlying such options for FSC and/or the Introducing Broker's account.
11. You are aware of the high degree of risk involved in options transactions and have given FSC and/or the Introducing Broker, in strict confidence, information to demonstrate that this account and the trading anticipated in connection therewith is not suitable for you in light of your investment objectives, financial situation and needs, experience and knowledge. You agree to advise FSC and/or the Introducing Broker of any changes in your investment objectives, financial situation or other circumstances that maybe deemed to materially affect the suitability of executing options transactions for your account.
12. COVERED CALL WRITING/CASH SECURED PUT WRITING - You are fully aware that any securities option that you write (sell) is subject to being exercised, requiring you to effect a transaction in the underlying security. The option premium received will represent only a fraction of the total dollar exposure in the underlying security.
PURCHASING OPTIONS - You are fully aware that any option you purchase may expire worthless, resulting in a total loss of premium (price) paid.
OTHER OPTION TRANSACTIONS:
UNCOVERED OPTIONS - You realize that selling "uncovered" options involves a high degree of risk and may result in unlimited losses in the event of price movements in the underlying security contrary to your position.
SPREADS, STRADDLES AND COMBINATION STRATEGIES - You are aware that there is a limitless array of combining calls, combining puts and combining both puts and calls. You are capable of evaluating the potential gain and loss from such strategies, including responses to the exercise of options you have written, whether expected or unexpected. Further, you and/or your tax advisors can evaluate all tax implications of complicated strategies.
13. You understand that you bear full responsibility for taking action to exercise or sell valuable options. However, in the absence of you notifying FSC and/or the Introducing Broker to exercise a valuable options contract by 3:00 p.m., Central Standard Time, on the last business day prior to expiration date of the options contract, you agree that FSC and/or the Introducing Broker may exercise the options contract on your behalf. In the event of such exercise, the profit in excess of commission cost created thereby will be credited to your account. In the event the commissions to be charged for such an expiration transaction exceed the net proceeds to be realized, you agree and hereby relinquish your ownership in said option to FSC and/or the Introducing Broker, which may exercise such option for either FSC and/or the Introducing Broker's account. If you do not instruct FSC and/or the Introducing Broker to exercise a valuable option by the time stated above and FSC and/or the Introducing Broker, for whatever reason, does not exercise such option on your behalf, you agree to waive any and all claims for damage or loss that you might have at that time or any time thereafter against FSC and/or the Introducing Broker arising out of the fact that the option was not exercised.
14. You are aware that FSC and/or the Introducing Broker utilizes a random method of allocation for all options assignments received from the Option Clearing Corporation. Exercise Assignment Notices for options contracts are allocated among all customer short positions within that series. This is accomplished by a manual procedure that randomly selects from among all customer short option positions, including positions established on the day of assignment, those contracts that are subject to exercise. All short positions are liable for assignment at any time. You further understand that a more detailed description of this procedure is available upon request.
15. You have reviewed the contents of the Options Account Application and represent that they are accurate. Although certain types of transactions are indicated as anticipated, FSC and/or the Introducing Broker may execute any other types of transactions for your account upon your instructions.
16. You hereby represent that you have received from FSC, and/or the Introducing Broker, the current Characteristics and Risks of Standardized Options (available at <http://www.optionsclearing.com/about/publications/character-risks.jsp>) the Special Statement for Uncovered Options Writers, and a copy of this Agreement.
17. This Agreement and its enforcement shall be governed by the laws of the State of Texas and its provisions shall be continuous, shall cover individually and collectively all accounts that you may open or re-open with FSC and/or the Introducing Broker, and shall inure to the benefit of FSC and/or the Introducing Broker's present organization and any successor organization, irrespective of any change or changes at any time in the personnel thereof, for any cause whatsoever, and of the assigns of FSC and/or the Introducing Broker's present organization or any successor organization, and shall be binding upon you and/or your estate, executors, administrators and assigns.

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