

OPTIONS RISK DISCLOSURE STATEMENT



WELLINGTON LEGACY CAPITAL

OPTIONS RISK DISCLOSURE STATEMENT

IMPORTANT NOTICE TO INVESTORS

This document is intended to provide you, the Client, with important information regarding the risks involved in trading options contracts. It is not a comprehensive explanation of every risk, but it outlines the primary risks associated with the strategies Wellington Legacy Capital may use in managing your investment account. By signing this document, you acknowledge that you have read, understood, and accepted the risks outlined herein.

1. Nature of Options Contracts

Options are derivative financial instruments that derive value from an underlying asset (such as a commodity, index, or cryptocurrency). The buyer of an option acquires the right, but not the obligation, to buy or sell the underlying asset at a predetermined price (the “strike price”) within a specific period.

Options may be used for speculation, hedging, or income generation, depending on the strategy.

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2. High Risk of Loss

Trading options is speculative and it involves a high degree of risk, which may not be suitable for all investors. You may:

- Lose a portion or the entire premium paid for purchased options.
- NEVER will the client Incur in losses greater than the initial investment.
- The Client could be suggested but WILL NEVER Be required to deposit an additional margin/Capital if the market moves against your position.

3. Volatility and Market Risk

Options are highly sensitive to:

- Price fluctuations in the underlying asset
- Volatility levels
- Time decay (theta), especially for short-dated contracts
- Changes in interest rates or market sentiment

Sudden changes in market conditions (geopolitical events, economic data, etc.) can result in rapid losses.

4. Complex Strategies Involve Additional Risks

Wellington Legacy Capital may employ multi-leg or advanced strategies such as:

- Spreads (bull/bear, debit/credit)

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- Straddles and strangles
- Covered calls or naked puts
- Calendar or diagonal spreads

These strategies increase complexity and may require significant experience to understand. Certain positions (e.g., short uncovered calls) carry limited risk.

5. Liquidity Risk

Certain options may have limited liquidity, especially in:

- Deep out-of-the-money strikes
- Longer-dated expirations (LEAPs)
- Emerging or low-volume markets (e.g., crypto options)

Lack of liquidity may make it difficult to enter or exit positions without a significant cost or delay.

6. Leverage Risk

Options can provide significant leverage, amplifying both potential gains and losses. Small market movements can result in disproportionate gains or losses relative to the capital invested.

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7. Assignment Risk

If you are shorting an option, you may be assigned at any time before expiration, potentially resulting in an obligation to sell the underlying asset. Early assignment can occur without warning and may affect your strategy. Meaning you will be required to sell the underlying asset as long as it's in profitability before the expiration date. There will be no cost associated to this and it will only be applicable if the option is in profit.

8. Technology & Execution Risk

Delays, system outages, or technical failures can disrupt the ability to place, modify, or close trades. Market prices can change during such disruptions, increasing the risk of loss.

9. No Guarantee of Profit

There is no guarantee of profit in options trading. Historical performance, hypothetical projections, or model backtests do not guarantee future results. The Client must be financially capable of withstanding potential total losses.

10. Client Responsibilities

You acknowledge and accept responsibility for:

- Understanding the nature of each strategy used in your account
- Monitoring your account activity and positions
- Providing timely updates to Wellington Legacy regarding your financial status, risk tolerance, and investment objectives

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ACKNOWLEDGMENT AND ACCEPTANCE

By signing below, you confirm that you have read, understood, and accept the risks associated with options trading as outlined above. You further acknowledge that options trading is suitable for your investment profile and financial circumstances.

Client Name: _____

Client Signature: _____

Date: _____

Wellington Legacy Representative: _____

Signature: _____

Date: _____

