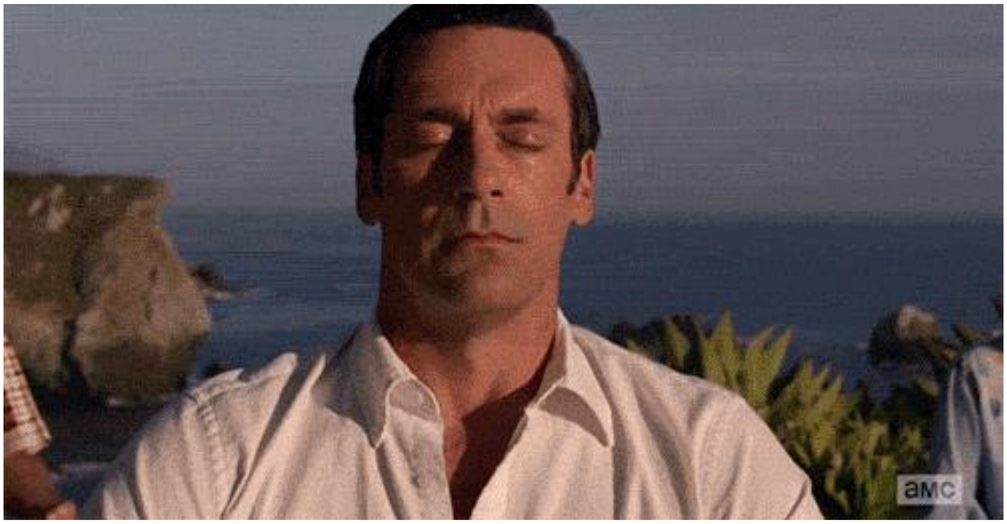

TWENTY TASTYTRADE TRADING COMMANDMENTS

1. Place trades that limit your upside in return for a higher probability of success.
Some examples could be selling a call against an existing long stock position, selling a put to establish a new long position, or selling a put against a short position.

2. Define your portfolio not by asset class diversification, but by strategy diversification and its overall probability of success.
The old way of diversification was based on asset class. Examples of this would be stocks and bonds. The new tastytrade way of diversification is based on strategy, using different strategies with different probabilities of success and different return on capital, both long and short deltas strategies to create an overall portfolio that matches your assumptions.

3. Overall portfolio probability of success should be between 65% and 75%.
Trading stocks only will produce a 50% probability of success portfolio; trading strategically will increase the probability of your portfolio significantly.

4. Trade only in liquid products.
I like products that trade at least 2,000,000 shares a day. Also, look at the bid / ask spreads on the options. One cent is very liquid, but beware of bid/ask spreads that are more than 10 cents.

5. Theta or time decay should generate at least 1/10 of 1% per day.
Theta is what we get paid for taking risk. When volatility is low, we will collect a lower theta. When IV rank is high, we will be able to get ½ a % theta a day and in some cases even 1% a day.

6. Your deltas should match your assumptions, but also should be small enough to feel comfortable.
If you are bullish, you should have a long delta portfolio. If you are bearish, a short delta portfolio.

7. Beta weight your portfolio (to $SPY) so you "know" what you have on.
By beta weighting your overall deltas to SPY to see the size of your portfolio and compare it with your comfort zone. Remember: size can kill, so trade small.

8. Manage winning trades, not losing trades.
We like to manage trades at a 50% profit. We tend to roll losing undefined risk trades to extend duration, and on defined risk trades, we suck it up and take our loss.

9. Risk is defined at order entry. Size matters. Use 1-2% buying power reduction per trade.
Once again size kills. Trade small. I like my trades to be 0.25% to ½ of 1% of my overall portfolio. Smaller accounts will have to use 1 or 2% per trade. Remember to keep at least 50% of your portfolio in cash.

10. Biggest trading mistakes are: trading too big, and using the wrong strategies.
At tastytrade, we rarely buy volatility. By that I mean we tend not to place negative theta trades, because they often have a low probability of success.

11. Exit trades using time and price.
Take winners off at 50% of maximum profit and take losses off at 2X the value of the original credit. (Original credit $1, take off when value of trade is $3). Be mechanical here and don't be greedy.

12. Stop orders are generally not a good idea.
Stops are resting orders that will close you out when the market moves against you... tastytraders like to be active and reactive in your portfolio.

13. Extend duration to give yourself time to be right.
By rolling down and out and up and out, you will extend duration hoping that the market will give you a chance to get out and make a profit.

14. Trade often in order to help probabilities work in your favor.
The more you trade, the better the chances of the math working in your favor. Doing only a few trades may not yield the expected result. Remember that even when flipping coins at 50%, you might get 15 tails in a row, but that won't happen when you flip 500 times.

15. Use volatility to identify opportunities and to determine the correct "strategy", and "size" for the current situation.
Best to place short premium trades with IV Rank above 50. IV rank is your main focus. Place trades when IV rank is above 50% to increase your chances of making money.

16. Understand all products, and their theoretical equivalents, including stocks, options futures and forex. Play with a full set of clubs.

Play with all the clubs in your bag. Learn the relationships between products and learn to use them all in your portfolio. That will help you become a better and more sophisticated trader.

17. Use leverage to maximize capital use, and to increase your probability of success.
Margin is the only way to make good money in life. Portfolio margin (if you can get it) will even provide you with more leverage to trade. But again remember: size kills, which is why we say generally to trade small and trade often.

18. Create assumptions by any method that you like: technical analysis, fundamental analysis, tape reading, etc, but remember at best, your assumptions will be a 50/50 proposition.
Since we cannot make money with our assumptions, we trade strategically, but we need those assumptions to motivate us to press click and place the trade.

19. Markets are random and cyclical, use the odds as another tool that help create assumptions.
IV rank above 50% is your best bet. The only cyclical product and mean reverting product is volatility. Sell it when it's high and harvests profits when it gets back down.

20. ***LAST BUT NOT LEAST --- Stay engaged by watching tastytrade.***