Option. Right of election to exercise a privilege. Contract made for consideration to keep an offer open for prescribed period. A right, which acts as a continuing offer, given for consideration, to purchase or lease property at an agreed upon price and terms, within a specified time. An option is an agreement which gives the optionee the power to accept an offer for a limited time. *Kelman v. Bohi*, 27 Ariz.App. 24, 550 P.2d 671, 675. An option to purchase or to sell is not a contract to purchase or to sell, as optionee has the right to accept or to reject the offer, in accordance with its terms, and is not bound. *Catmull v. Johnson*, Utah, 541 P.2d 793, 795.

An option contract is a promise which meets the requirements for the formation of a contract and limits the promisor’s power to revoke an offer. Restatement, Second, Contracts, § 25.

A privilege existing in one person, for which he has paid money, which gives him the right to buy certain commodities or certain specified securities from another person, if he chooses, at any time within an agreed period, at a fixed price, or to sell such commodities or securities to such other person at an agreed price and time. If the option gives the choice of buying or not buying, it is denominated a “call.” If it gives the choice of selling or not, it is called a “put.” If it is a combination of both these, and gives the privilege of either buying or selling or not, it is called a “straddle” or a “spread eagle.”

The sale or exchange of an option to buy or sell property results in capital gain or loss if the property is a capital asset.