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You are long 10oo Underlying shares of EBAY going for 93.40 ($93,400). The purchase of 10 October 90 Puts can provide a floor, limiting your downside risk.

If you buy 10 Puts for .80 each (each $80 for a total of $800);

1. What will you then want to happen to the Underlying stock?

2. What will be the most you can lose between now and expiration?

3. What is your break-even point(s) in terms of the Underlying price?

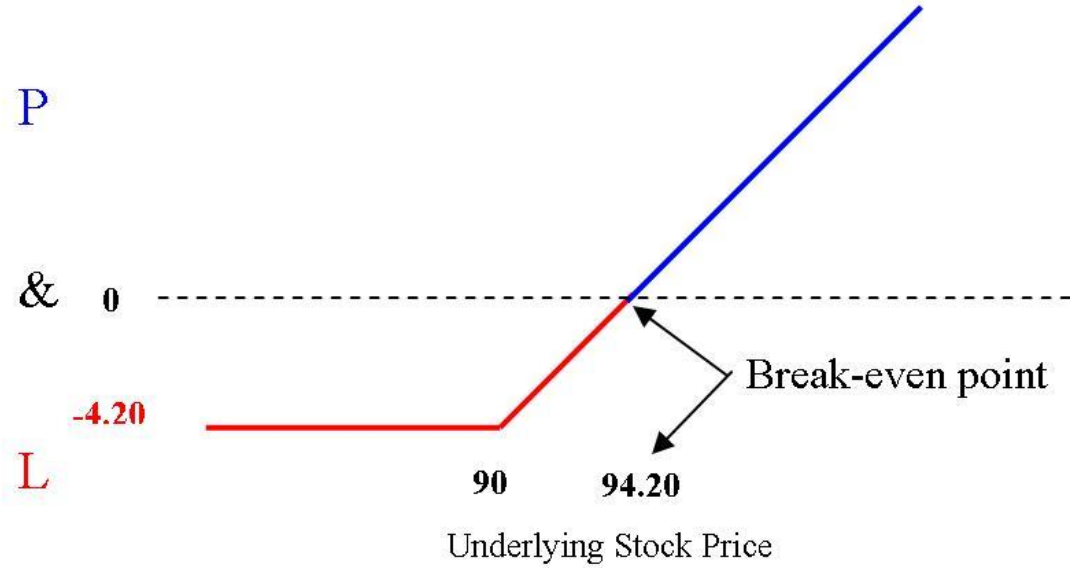
4. What is the simplest trade you can make to stop the exposure (locking in the gain or the loss, whatever it may be)?

You are long 1000 underlying shares of EBAY going for 93.40 ($93,400). The purchase of 10 October 90 Puts can provide a floor, limiting your downside risk.

If you buy 10 Puts for .80 each (each $80 for a total of $800);

1. What will you then want to happen to the Underlying stock?

You want it to go up because this is synthetically long 10*90 Calls for 4.20 each ($4200).



2. What will be the most you can lose between now and expiration?

$4200 just like owning 10 real Calls for 4.20 each. (that is .80 for each Put becoming worthless while the stock drifts lower from 93.40 to 90 losing the 3.40.

3. What is your break-even point(s) in terms of the Underlying price?

94.20 because the stock makes back the .80 that the Put will lose by expiration.

4. What is the simplest trade you can make to stop the exposure (locking in the gain or the loss, whatever it may be)?

Sell the real call to complete the conversion. (you may be wondering what then? But that is for a later discussion).

A government estimate will be announced in one minute. Which one (only one) vehicle (stock or calls, or puts) would you buy or sell, and in what quantity in order to neutralize to a safe exposure (Hint: Card up and dissect position.) Remember to check your Net Call Units and Net Put Units.

1. The DJX is at 102.80. You are short 16 futures, long 27 of the 104 calls and short 16 of the 104 puts.

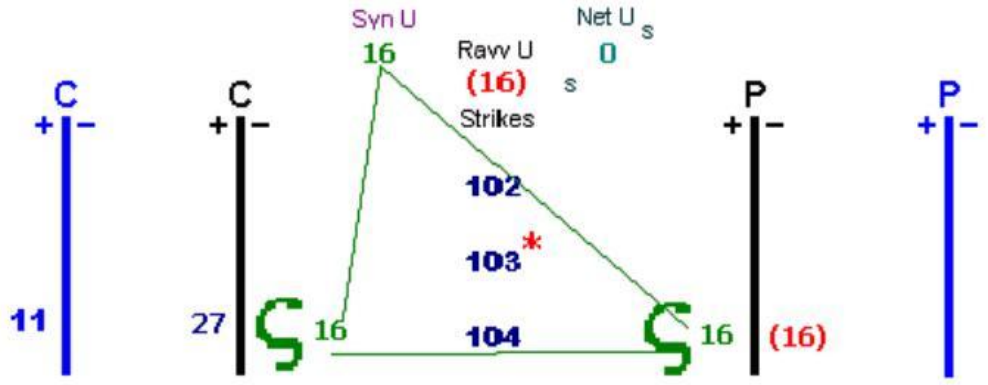
2. The Bonds are at 103.02. You are short 15 of the 103 calls and long 13 of the 103 Puts.

3. The Bonds are at 102.30. You are short 58 futures, long 61 of the 103 calls and short 35 of the 103 puts.

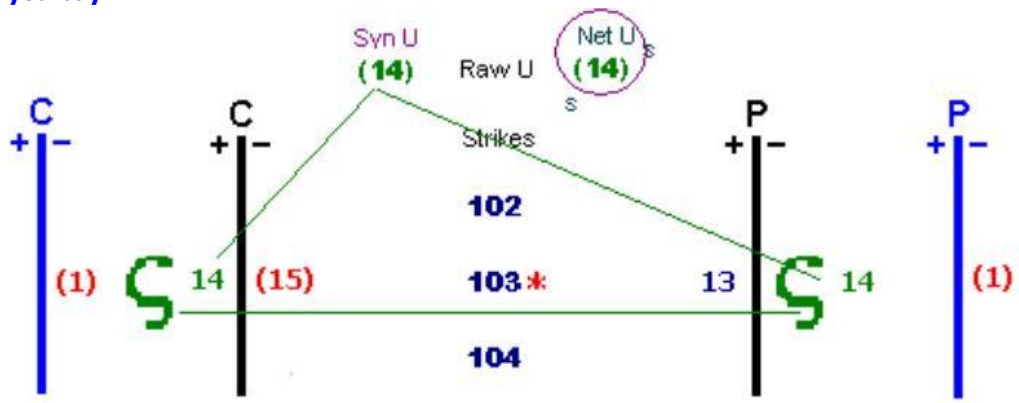
4. The DJX is at 104.42. You are short 24 of the 102 calls and long 32 of the 102 Puts.

A government estimate will be announced in one minute. Which one (only one) vehicle (stock or calls, or puts) would you buy or sell, and in what quantity in order to neutralize to a safe exposure (Hint: Card up and dissect position.) Remember to check your Net Call Units and Net Put Units.

1. The DJX is at 102.80. You are short 16 futures, long 27 of the 104 calls and short 16 of the 104 puts. **Sell 11 104 calls.**



2. The Bonds are at 103.02. You are short 15 of the 103 calls and long 13 of the 103 Puts. **Buy 14 Futures. If you buy only 13 you will be short 2 calls or if you buy 15 futures you will be short 2 puts. Less of a bias if you buy 14.**



3. The Bonds are at 102.30. You are short 58 futures, long 61 of the 103 calls and short 35 of the 103 puts. **Sell 20 puts.**