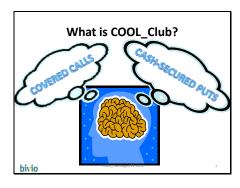


I am Paul Madison and I am your host for the COOL_Club

You can write to me at the COOL_Club discussion list which is COOL_CLUB@bivio.com



Reminder:

This will be a weekly 30 minute session where we explore the thought processes associated with actual Covered Option Trades.

Most sessions we will walk through one or two trades from the recent past.

Going through the logic on why we are looking at a particular option on a particular stock.

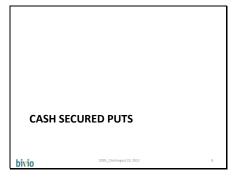
We will look at both when trades are put on and we will come back and look again at them when they are closed.

Some weeks, like tonight will be tools oriented rather than trades.

COOL Schedule • Fifth Wednesday (Aug 29th) Vacation • First Wednesday (Sep 5th) 5 pm ET • Second Wednesday (Sep 12th) 8 pm ET • Third Wednesday (Sep 19th) 9 pm ET • Fourth Wednesday (Sep 26th) 10pm ET



Tonight • Quick PUT Refresher • Present the "Cash Secured PUT COOL TOOL" • Work through some examples – COH – Maybe some stocks suggested by the COOL_CLUB discussion group



Our next meeting is

August does have five Wednesdays so we will have a "Holiday" next week

The September schedule is shown here

We are continuing to build out our COOL Club home page

The link is www.bivio.com/COOL_Club

Both Handouts and recordings are under the Presentations link

Join the email discussion list by clicking here

You can get to the COOL TOOLs like we are going to discuss tonight by click on "Resources and Tools"

And finally the schedule and registration links are here.

Disclaimer about Options

Options involve risk and are not suitable for all investors. All investment club members and individual investors should understand the risks of any form of trading or investing. To learn about options, we recommend visiting the Options Learning Center at the CBOE. To learn about stocks, please visit the Investor Education area of the NASD.

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COOL_Club August 22, 20:



First some general reminders about Covered Options

Something that is really hard for people when they start is the fact that your whole mindset is different.

When we are dealing with stock we always start by buying and then at some point we sell (although some of us never get to that side of the equation)

When we are doing Covered Options we have to think backwards

.... we start by first selling and then we might close it by buying (of course there are other ways to close like expiring worthless or being exercised).

Opening Covered Options

Sell-To-Open

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COOL_Club August 22, 2012

So that means that whenever you are starting

or opening a trade

We want to do a Sell-To-Openplease be sure this that is the action that you are selecting.

I have had two recent students who on their first non-chaperoned trade they both did a Buy-To-Open rather than Sell-To-Open and of course with radically different results. Fortunately, both students were using the Virtual Trading System and so it was easier to swallow paper loses than real loses.



We have been talking the last few weeks about covered CALLs and we know that CALLs

can turn into SELLs

This week we are talking about Cash Secured PUTs and they can

turn into BUYs



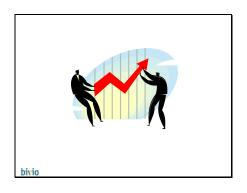
So why might you want to sell a cash-secured PUT?

(click)

Maybe there is a Stock you want to buy and it has been correcting in price

(click)

But it is not quite to your buy level



Despite not being at your buy price you are feeling like the stock might go up!

Selling a Cash Secured PUT is a way for you to generate some income on the cash you have ready to buy the stock.

Selling a Cash-Secured PUT

- Cash for at least 100 shares per contract
- Your Maximum buy price for the stock
- Look at selling front month expiration
- Sell as far out-of-the-money as reasonable

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Session 2 - July 18, 2

To get ready to sell a cash-secured PUT

You will need enough cash to buy 100 shares of the stock for each contract you want to sell

You need to know what **your** maximum buy price for the stock as this sets the ceiling on what strikes you can do

I recommend when you are first doing options that you stick with doing the front month.

I also recommend selling as far out-of-the-money as reasonable. Reasonable meaning that you get a good return for putting the option on.

CASH SECURED PUT COOL TOOL

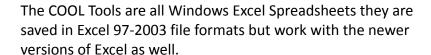
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COOL TOOLS

- Excel Spreadsheets
 - Works on Windows versions of Excel
 - Does not work on Excel for Mac

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The Tools currently do not work on Mac OS X Excel but could be run on a Mac that is capable of running Windows through BootCamp or Parallels or VMWare's Fusion.



The current version of both COOL TOOLs, PUTs and CALLs, is 2.04. You can see this in light grey at the upper right hand corner of each sheet of the TOOL. If the number you see is less than 2.04 then you do not have the latest.





To run the TOOLs most effectively you must enable Macros as there are simple macros for clearing data and for going out to the web for data.

You must also enable external content so that the TOOLs can go get delayed stock quotes.

The dowloaded sheets will open on the Getting Started page.

This has a little bit of information about the COOL TOOL and is also where you would input the information about your particular broker's commission schedule.

New in the sheets are Buttons that do things. So here you have buttons that take you to the

"Sell-To-Open" sheet or the

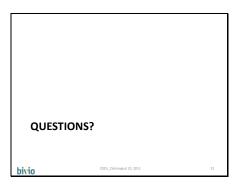
"Closing the Option" sheet and

there is even a button to take you out to the COOL_Club home page.



Reminder you can get the tools by first clicking on the Resources and Tools link on the COOL Club home page. When it opens, you will see the tools under the COOL Tools heading on the lower right side.

Here you will find the two TOOLs and we also have links that go to the presentations on how to use the tool.





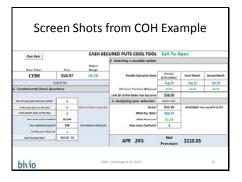
COOL Examples

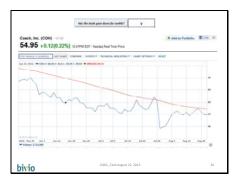
REMINDER!

- Education purposes only!
- No recommendations to:
 - Buy or sell stock
 - Sell or buy options
- Before investing in anything:
 - Consult a professional
 - Or do your own research

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COOL_Club August 22, 201







This slide and the next six slides show you the sample exercise on COH that was demonstrated live in tonight's COOL+Club

The graphs and charts come from clicking on the buttons in the spreadsheet and the last slide shows the SELL-TO-OPEN order on COH \$52.50 PUT for Sep 22 Expiration put in on the Virtual Trading System.



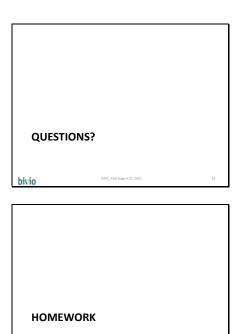






Here is the option chain at the Virtual Trading System

Put the Sell-To-Open order in on COH SEP '12 \$52.50 PUT @ \$1.25



Assignment (no grades)

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- Sell 1 Cash Secured PUT on one of these stocks:
- FAST PNRA ORLY ALGN
- Send to COOL_Club
 - Provide details, your Fundamentals, What Strike and Expiration, Net Premium Collected & what day it was done, and your APR

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NEXT WEEK Sep 5th 5:00pm EDT

BUY-TO-CLOSE CASH SECURED CALLS

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