



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](mailto: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 29<sup>th</sup>) Vacation
- First Wednesday (Sep 5<sup>th</sup>) 5 pm ET
- Second Wednesday (Sep 12<sup>th</sup>) 8 pm ET
- Third Wednesday (Sep 19<sup>th</sup>) 9 pm ET
- Fourth Wednesday (Sep 26<sup>th</sup>) 10pm ET

Our next meeting is

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

The September schedule is shown here

## COOL\_Club Home Page



We are continuing to build out our COOL\_Club home page

The link is [www.bivio.com/COOL\\_Club](http://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.

## 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

## CASH SECURED PUTS

## 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.*

bivio

COOI\_Club-August 22, 2012

9

## Different Mindset!



bivio

COOI\_Club-August 22, 2012

10

## 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**

bivio

COOI\_Club-August 22, 2012

11

So that means that whenever you are starting

or opening a trade

We want to do a Sell-To-Open ....please 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.

## Covered Options as Fundamental Trades

SELL

BUY

bivio

COOI\_Chib-August 22, 2012

12

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

## Why sell a Cash-Secured Put?



Buy  
Now!

bivio

Session 2 - July 18, 2012

13

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



bivio

***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*

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

## COOL TOOLS

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

The COOL Tools are all Windows Excel Spreadsheets they are saved in Excel 97-2003 file formats but work with the newer versions of Excel as well.

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.

## Current Version 2.04

CASH SECURED PUTS COOL TOOL **Sell-To-Open** 2.04

2. Selecting a possible option

Friday's Change	Possible Expiration Dates	Weekly (if Available)	Front Month	Second Month
-----------------	---------------------------	-----------------------	-------------	--------------

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.

## Excel Security

- Allow Macros to be enabled:
  - One simple Macro that resets things
  - *If prompted to allow Macros – Chose YES*
- Enable all Data Connections:
  - Uses MSN quotes
  - *If prompted to enable external data – Chose YES*

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.

## “Getting Started” Sheet

### Cash-Secured Put COOL TOOL

This COOL TOOL is used to make SELL-TO-OPEN and CLOSING decisions on Cash-Secured Puts on STOCK. There is also a separate COOL TOOL for Covered Calls and Options on Broad Market Index ETFs (such as SPY and IWM).

*Decision area (left): Be sure that you have enabled Macros and External content!*

Brokerage Commission Schedule			
Base Commission	\$14.95	Number of contracts entered on base	\$0
Cost per contract beyond base	\$1.50	Assignment fee or Stock trade cost	\$14.95

*Go to “Sell to Open”*

*Go to “Closing the Option”*

Brought to you by: [www.bivio.com/COOL\\_Club](http://www.bivio.com/COOL_Club) Go There!

Developed by: [Paul Matsumoto](mailto:Paul.Matsumoto@netloc.com) [netloc.com/matsumo@gmail.com](mailto:netloc.com/matsumo@gmail.com)

The downloaded 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.

## Where can you download it?

### COOL Club Resources and Tools

There are many places to go to learn more about options trading, we will require this list as the materials come to our attention.

- Educational Resources:
  - Chicago Board Options Exchange
  - LEARNING CENTER
  - COVERED CALLS & SELL-TO-OPEN
  - Fundamental Investor Presentation
  - Using Cash Collateral Portfolio for Profit
  - Investing
  - Investing Ability Council
- **COOL TOOLS**
  - Using the COOL TOOL to pick an option to sell
  - Using the COOL TOOL to determine how to close a covered call position
  - Cash-Secured Put COOL TOOL

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.

## QUESTIONS?

# LET'S GO PLAY

## 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

## Screen Shots from COH Example

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.





Next Earnings Date? Oct 22, 12

Coach, Inc. (COH) 55.00 +0.17(0.31%) 12:00PM EDT - Nasdaq Real Time Price

Company Events

Upcoming Events

Date	Event	Reminder
22-Oct-12	Earnings announcement	🔔 Set a Reminder

Recent Events

Date	Event
6-Aug-12	Coach updated its Concated Security
2-Aug-12	COACH INC Files SEC form 8-K, Change in Directors or Principal Officers, Financial Statements and Exhibits
31-Jul-12	Coach, Inc. Earnings Call scheduled for 8:30 am ET today
31-Jul-12	COACH INC Files SEC form 8-K, Results of Operations and Financial Condition, Financial Statements and Exhibits

COO, Club August 22, 2012 29

3. Analyzing your selection option chain

Strike	Symbol	Last	Chg	Bid	Ask	Vol	Open Int
35.00	COH120922P0035000	0.96	0.00	N/A	0.00	0	10
35.00	COH120922P0040000	0.87	0.00	N/A	0.00	0	640
40.00	COH120922P0040000	0.85	0.00	N/A	0.00	0	203
45.00	COH120922P0045000	0.75	0.00	N/A	0.10	0	37
45.00	COH120922P0050000	0.63	0.00	N/A	0.10	21	20
45.00	COH120922P0055000	0.45	0.00	N/A	0.10	13	144
45.00	COH120922P0060000	0.30	0.00	0.05	0.10	10	63
45.00	COH120922P0065000	0.20	0.00	0.10	0.10	14	420
45.00	COH120922P0070000	0.15	0.00	0.10	0.20	32	209
47.50	COH120922P0075000	0.17	0.00	0.30	0.30	3	847
47.50	COH120922P0080000	0.20	0.00	0.30	0.40	203	713
47.50	COH120922P0085000	0.24	0.00	0.40	0.50	30	640
50.00	COH120922P0090000	0.25	0.00	0.50	0.60	401	6,887
50.00	COH120922P0095000	0.28	0.00	0.50	0.70	401	2,890
50.00	COH120922P0100000	0.28	0.00	0.70	0.80	100	4,702
55.00	COH120922P0105000	0.30	0.00	0.80	0.90	0	5,500
55.00	COH120922P0110000	0.30	0.00	0.70	0.80	400	2,133
60.00	COH120922P0115000	0.20	0.00	0.30	0.30	10	300
65.00	COH120922P0120000	0.20	0.00	0.30	0.30	4	4
70.00	COH120922P0125000	0.10	0.00	0.30	0.30	2	41
75.00	COH120922P0130000	0.00	0.00	0.30	0.30	0	20

COO, Club August 22, 2012 30

Option Chain at Virtual Trading System

COH 55.265 +0.44(+0.79%) 10:30 AM SEP 12 \$4.85 15.85 14.87 2.005242

COACH

COO, Club August 22, 2012

Order Type	Price	Quantity	Order Type	Price	Quantity	Order Type	Price	Quantity
Market Order	55.265	100	Market Order	55.265	100	Market Order	55.265	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #	1.50	100
Buy #	1.50	100	Sell #	1.50	100	Buy #	1.50	100
Sell #	1.50	100	Buy #	1.50	100	Sell #		



## QUESTIONS?

## HOMEWORK

## Assignment (no grades)

- Exercise:
  - 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

NEXT WEEK Sep 5<sup>th</sup> 5:00pm EDT

## BUY-TO-CLOSE CASH SECURED CALLS