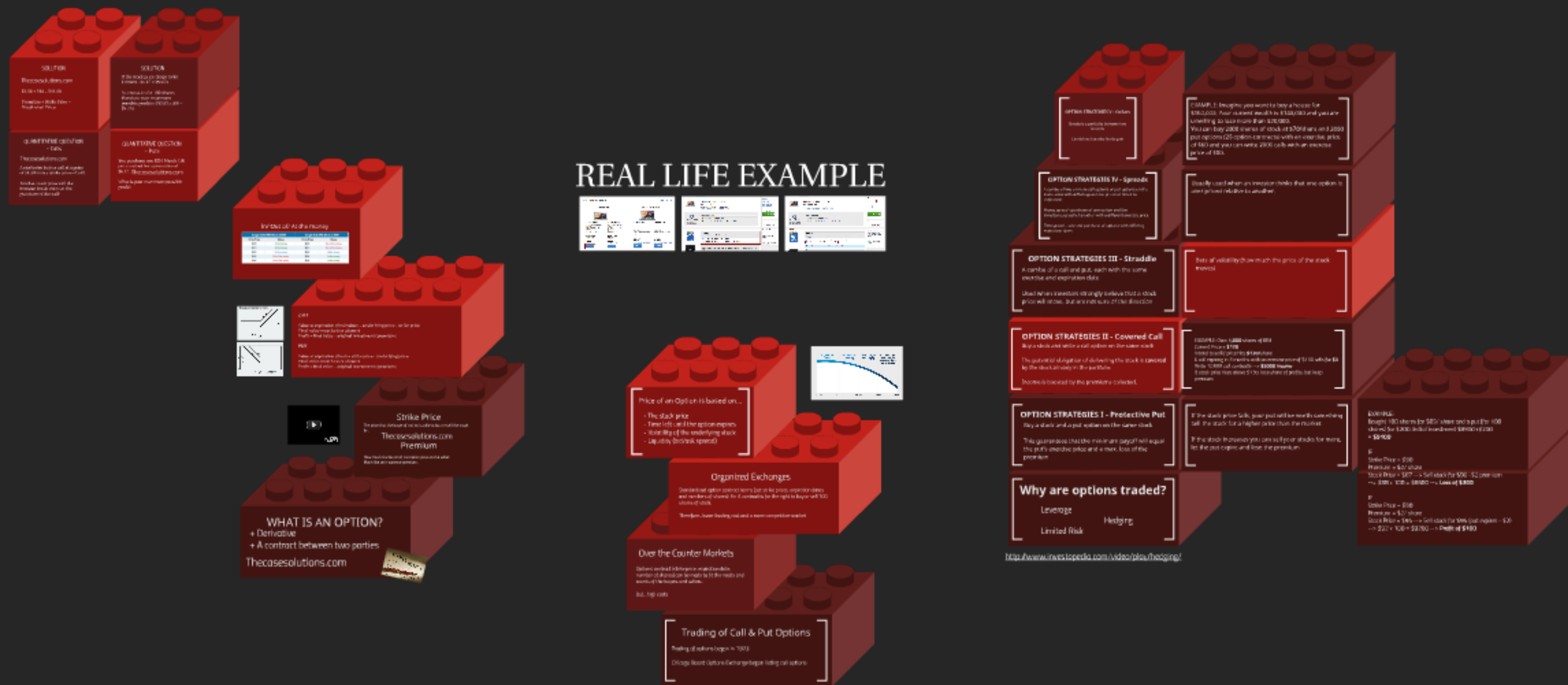

Symantec Corporation Convertible Notes With Call Spread

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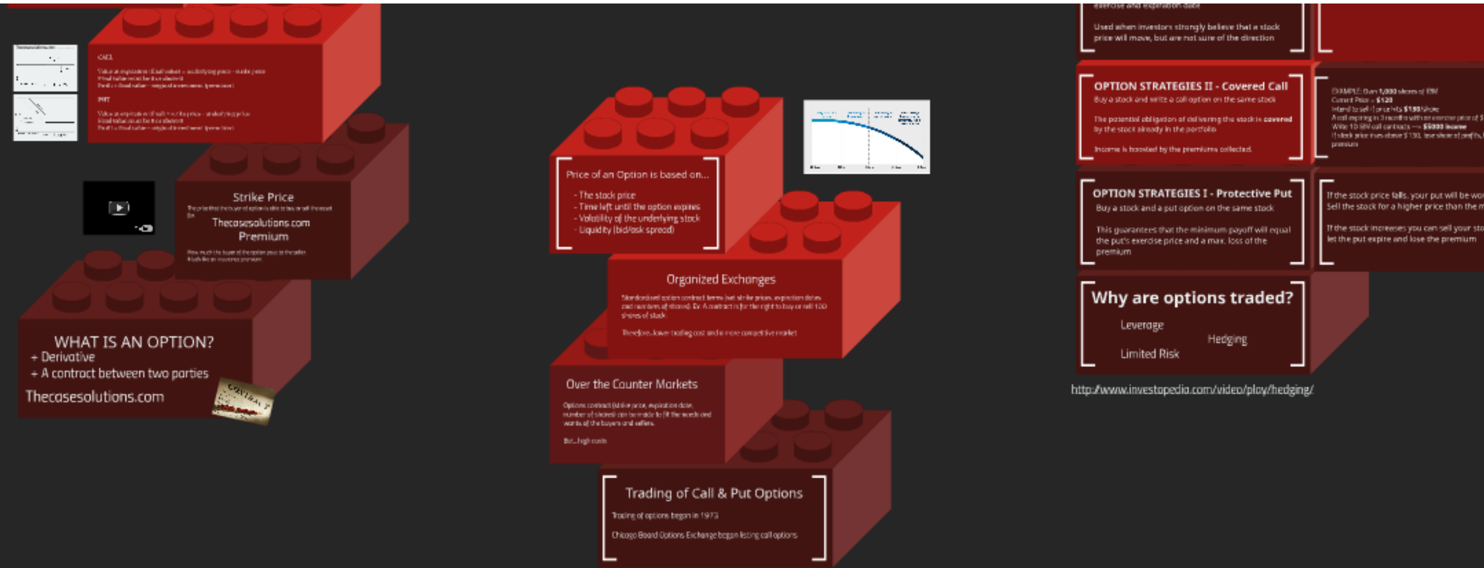

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Presentation Outline

I. Call and Put Options Basics
II. The trading of Calls and Puts
III. Why trade options?
IV. Option Strategies

WHAT IS AN OPTION?

+ Derivative
+ A contract between two parties

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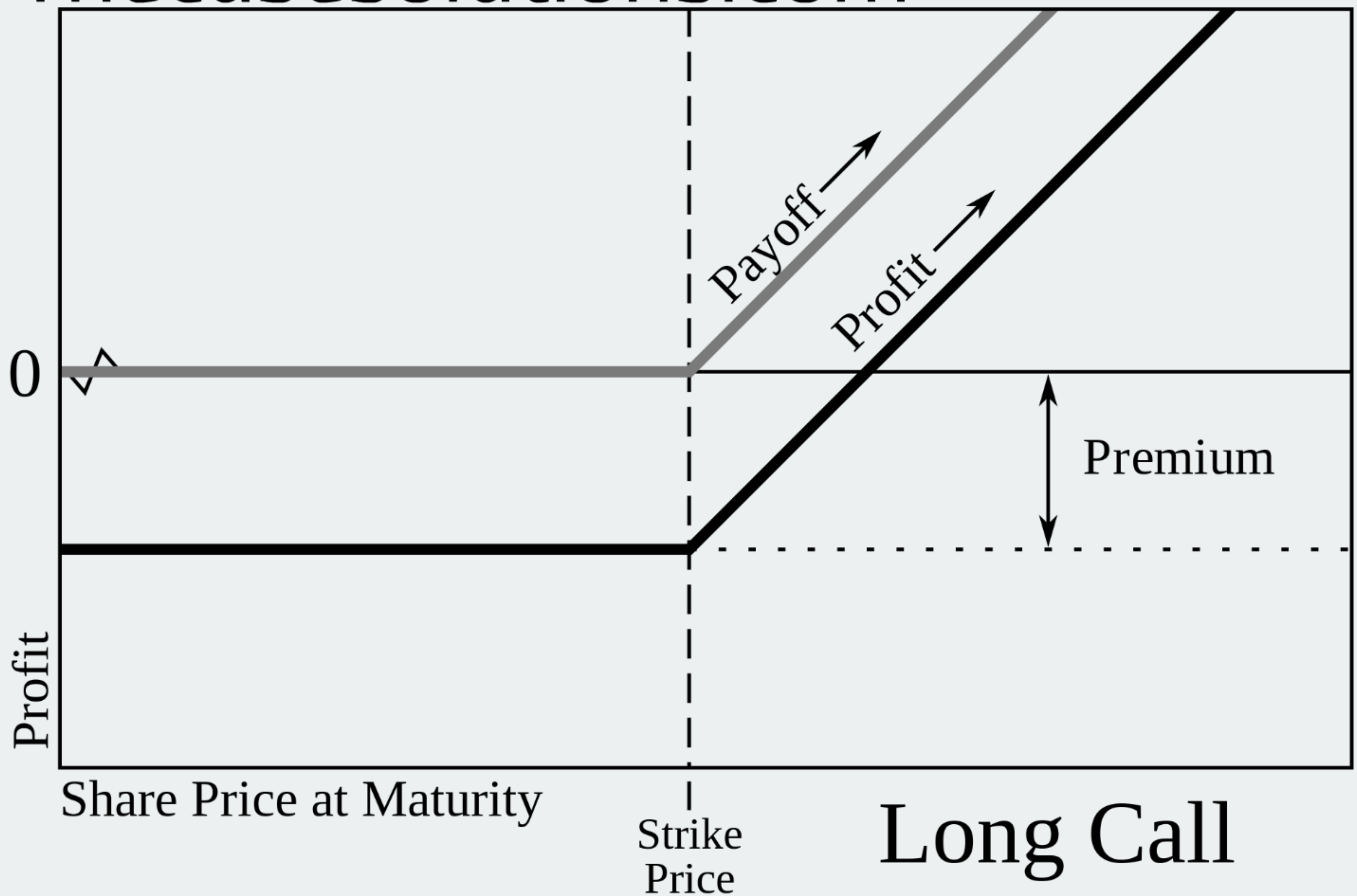
Strike Price

The price that the buyer of option is able to buy or sell the asset for.

Premium

How much the buyer of the option pays to the seller.
Much like an insurance premium.


Payoff
Profit
0
Premium
Profit
Share Price at Maturity
Strike Price
Long Call

QUANTITATIVE QUESTION ~ Calls

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An investor buys a call at a price of $4.50 with a strike price of $40.

At what stock price will the investor break even on the purchase of the call?

SOLUTION

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$4.50 + $40 = $44.50

Premium + Strike Price =
Break-even Price

QUANTITATIVE QUESTION ~ Puts

You purchase one IBM March 100 put contract for a premium of $6.47.

What is your maximum possible profit?