Spring 2012 Final
1:25B

6) 1) Short 8 sell stock, 2) sell 8 calls, 3) Buy 8 puts

How benefit

1) Able to (buy back later at price that < ~~purchase~~ sale price)

2) (Keep proceeds of sale of call) which is (not exercised) as price falls

3) Able to (buy at market price) then (sell at higher strike price) ~~tab~~

50	= 75
49	= 74
47	= 71
42	= 63
36	= 57
23	= 51
12	= 44
10	= 38

Downside:

1) If price rises, (must buy back at higher price than received when sold.)

2) If price rises call may be (exercised) so that you (buy at market price) then (sell at lower strike price)

3) If price rises, (may lose all of cost of put if) ends up (out of the money)