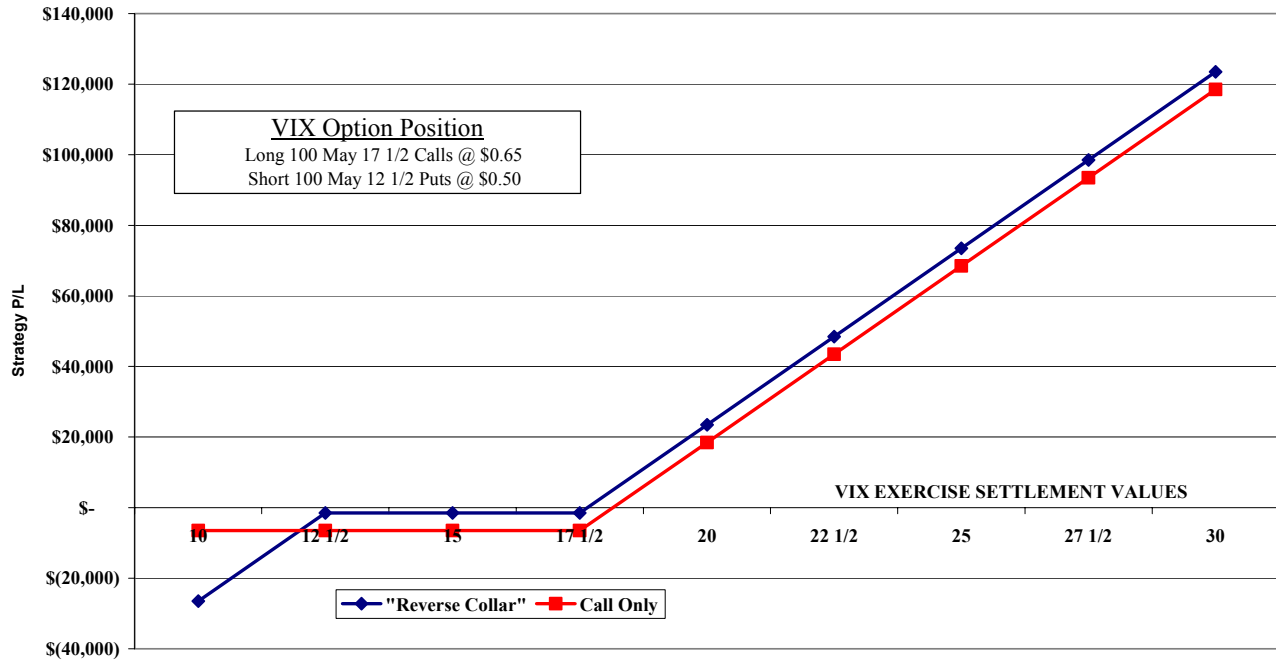




Assuming that the position is held until the VIX expiration date of May 17, 2006, the chart and table below summarize the profit/loss of the option position at various VIX settlement prices (excluding transaction and capital costs) and compares this with the profit/loss of buying the call alone. In this example, the break-even for the “reverse collar” position would correspond to a VIX exercise settlement value of **17.65**, while the break-even for the call alone would be at **18.15**.



	VIX Exercise Settlement Value								
	10	12 1/2	15	17 1/2	20	22 1/2	25	27 1/2	30
Call Price	\$ -	\$ -	\$ -	\$ -	\$ 2.50	\$ 5.00	\$ 7.50	\$ 10.00	\$ 12.50
Put Price	\$ 2.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Position Value	\$ (25,000)	\$ -	\$ -	\$ -	\$ 25,000	\$ 50,000	\$ 75,000	\$100,000	\$ 125,000
Cost	\$ (1,500)	\$ (1,500)	\$ (1,500)	\$ (1,500)	\$ (1,500)	\$ (1,500)	\$ (1,500)	\$ (1,500)	\$ (1,500)
<b>Net P/L</b>	<b>\$ (26,500)</b>	<b>\$ (1,500)</b>	<b>\$ (1,500)</b>	<b>\$ (1,500)</b>	<b>\$ 23,500</b>	<b>\$ 48,500</b>	<b>\$ 73,500</b>	<b>\$ 98,500</b>	<b>\$ 123,500</b>

It is important to note that the projected profit/loss in this example is applicable only on the expiration date for VIX options, which are *European-style* contracts that cannot be exercised early. Investors wishing to exit this strategy before the expiration date should expect VIX option prices to reflect the May forward VIX level based on June SPX option prices rather than the spot VIX level.

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