OEX® Bear Put Spread

INDEX
STRATEGY
PAPER Be.1

Example
In this example, the S&P 100® Index (OEX) is at a level of 672.42. You believe that an interest rate increase may occur in the next six weeks, possibly causing the market to fall.

Outlook
You are Bearish on the OEX in the short term.

Possible Strategy
Bear Put Spread. Buy 1 OEX September 670 put at 18.50. Sell 1 OEX September 660 put at 14.50. Net debit of 4, or $400.00.

*All values shown below are at the time of expiration.

<table>
<thead>
<tr>
<th>Index Change</th>
<th>OEX at expiration</th>
<th>Long 670 put value</th>
<th>Short 660 put value</th>
<th>Spread Cost</th>
<th>Net P/(L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ 1.13%</td>
<td>680.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>($400.00)</td>
<td>($400.00)</td>
</tr>
<tr>
<td>+/- 0.00%</td>
<td>672.42**</td>
<td>$0.00</td>
<td>$0.00</td>
<td>($400.00)</td>
<td>($400.00)</td>
</tr>
<tr>
<td>- 0.36%</td>
<td>670.00***</td>
<td>$0.00</td>
<td>$0.00</td>
<td>($400.00)</td>
<td>($400.00)</td>
</tr>
<tr>
<td>- 0.95%</td>
<td>666.00*</td>
<td>$400.00</td>
<td>$0.00</td>
<td>($400.00)</td>
<td>$0.00</td>
</tr>
<tr>
<td>- 1.85%</td>
<td>660.00****</td>
<td>$1,000.00</td>
<td>$0.00</td>
<td>($400.00)</td>
<td>$600.00</td>
</tr>
<tr>
<td>- 3.33%</td>
<td>650.00</td>
<td>$2,000.00</td>
<td>$1,000.00</td>
<td>($400.00)</td>
<td>$600.00</td>
</tr>
</tbody>
</table>

♦ At September expiration the break-even point (*) for this Bear Put Spread on the OEX is 666.00 or a - 0.95% change in the underlying index value.
♦ If the OEX remained unchanged (**) a loss of $400.00 would be incurred.
♦ The maximum loss (***) is $400.00 if OEX is greater than or equal to 670.00 (- 0.36%).
♦ The maximum gain (****) is $600.00 if OEX is less than or equal to 660.00 (- 1.85%).

In Short: The $400.00 cost establishes a bearish position with the possibility of yielding a $600.00 profit if OEX is at/lower than 660.00 at expiration. Unchanged, at or above 670.00 results in a loss of $400.00, the maximum risk. OEX between 666 and 700 results in partial loss of initial investment.
For more information on the OEX options, please visit http://www.cboe.com/oex

For more examples of options strategies, please visit http://www.cboe.com/strategies/

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