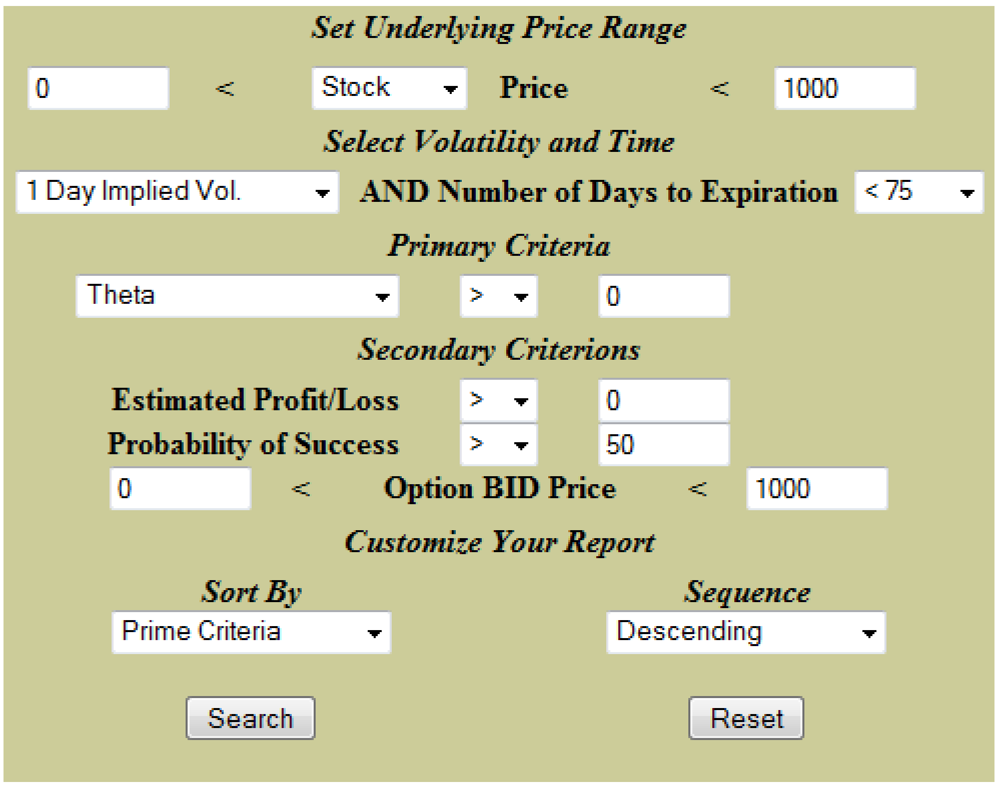
COVERED CALLS

Covered Call is one of the most used strategies. A Covered Call write is the simultaneous purchase of a round lot of common stock and the sale of an equal amount of call options against it (e.g., buy 500 shares of common and sell 5 calls.)

By clicking on the drop down windows, you are able to see the choices available for your customize searches (this feature is available only in on-line version of this manual and not in pdf format.)



PARAMETERS

SELECT COVERED CALL TYPE

- **In-the-Money Covered Call: Allows you to search through Covered Calls where selling Call strike is below Stock price.**
- **Out-of-the-Money Covered Call: Allows you to search through Covered Calls where selling Call strike is above Stock price.**
- **Both types of Covered Call: Allows you to search through both types of Covered Calls. But because we are providing only ONE result per stock, then you will get the TYPE of Covered Call for the stock where a primary criterion is higher.**
    - **For example, you selected Estimated Return as the primary criterion. In-the-money Covered Calls usually give you lower Estimated Return, but higher Probability of Success than Out-of-the-Money Covered Calls. The reasoning behind this is due to Out-of-the-money Covered Calls giving you very little room for the stock to fall back before it exceeds profit zone. This is why Probability of Success for this type of trade rarely exceeds 55%. On the other hand, In-the-Money Covered Calls can give you a substantial buffer for the stock to fall back before you get out of the profit zone. This increases your probability of success but as usual your trade is at a lower Estimated Return. Pertaining to our searches, because we providing only one result base on primary criterion, if you use "Both Type …" selection with primary criterion "Estimated Return" and secondary criterion "Probability of Success" > 70%, you will miss Covered Calls where Probability of Success will be higher than 70%, but "Estimated Return" will be lower than other Covered Call for the same stock, who has higher "Estimated Return", but lower "Probability of Success."**

SET UNDERLYING PRICE RANGE

- **Select Underlying Type (Stocks or Index are your only 2 choices)**
- **Set Price Range (10 < Stock < 100 Stocks between $10 and $100)**

SELECT VOLATILITY AND TIME

- **Select Volatility to be used in calculations (default is 1 Day Implied Volatility, but you can change it to 5 Days, 20 Days or 100 Days Statistical Volatility.)**
- **Number of Days to Expiration defines, which expiration months will be used.**

PRIMARY CRITERIA. CHOOSE ONE OF THE FOLLOWING FIVE. "ESTIMATED RETURN" IS ALWAYS A SAFE CHOICE.

- **Theta – The daily time decay of the position.**
- **Time Premium – The total time value of the position.**
- **MAX Return – Maximum possible profit divided by investment**
- **Estimated Profit/Loss – Profit/Loss weighted by probability of each Profit/Loss happening**
- **Estimated Return – Estimated Profit/Loss as a percent to investment**

SECONDARY CRITERIONS

- **Estimated Profit/Loss – Very important parameter, which represents Risk/Reward potentials of your trade**
- **Probability of Success – Probability that Profit would be greater or equal 0**
- **Option BID Price – Set the price range for the Call option**

CUSTOMIZE YOUR REPORT

- **Sort By – Defines the field that final Report will be sorted by. "Prime criteria" is usually your best choice, since that is what you selected for your Primary Criteria.**
- **Sequence – Ascending or descending sort**

The following is a sample report that was generated by using the default criteria for everything, except for "Estimated Return" was selected as the Primary Criteria. Notice that, on the output, your selection criteria are printed and then the list of covered writes is shown.

CALL WRITING REPORT.

Set Underlying Price Range

0 < Stock Price < 100

Select Volatility and Time

1 Day Implied Vol. AND Number of Days to Expiration < 75

Primary Criteria

Estimated Return > 0

Secondary Criterions

Estimated Profit/Loss > 0

Probability of Success > 50

0 < Option BID Price < 1000

All data is as of closing on Friday, 07/31/09 .

Nbr.	*Symbol*	*Description*	*Est. Return*	*Stock Price*	*Exp. Month*	*Strike*	*Bid*	*Est. P/L*	*Prob.*	*1 Day Impl V.*
1	AXL	AMERICAN AXLE & MFG HLDGS IN	170.82	2.2	09/19/09	2.5	0.85	0.43	66.52	313.33
2	ACAD	ACADIA PHARMACEUTICALS INC	66.53	4.07	09/19/09	5	1.05	0.66	65.68	201.99
3	NVAX	NOVAVAX INC	29.4	4.34	09/19/09	7.5	0.3	0.55	54.73	164.54
4	IMMU	IMMUNOMEDICS INC	26.4	4.14	09/19/09	7.5	0.2	0.49	53.51	154.77
5	SQNM	SEQUENOM INC	23.76	5.76	09/19/09	15	0.05	0.67	50.74	130.6
6	OSIR	OSIRIS THERAPEUTICS INC	18.87	12.18	09/19/09	17.5	0.9	0.98	56.42	129.93
7	ARM	ARVINMERITOR INC	17.31	7.24	09/19/09	10	0.6	0.52	56.78	138.74
8	GTXI	GTX INC DEL	17.25	10.52	09/19/09	12.5	1.3	0.68	61.6	122.17
9	BCRX	BIOCRYST PHARMACEUTICALS	16.72	9.2	09/19/09	17.5	0.1	0.75	50.99	123.01
10	EDZ	DIREXION SHS ETF TR	15.76	9.68	09/19/09	16	0.3	0.72	53.3	104.56
11	MTXX	MATRIXX INITIATIVES INC	15.27	5.64	09/19/09	10	0.1	0.42	51.75	112.85
12	SOLF	SOLARFUN POWER HOLDINGS CO L	14.07	7.2	09/19/09	15	0.05	0.5	50.77	100.66
13	SPPI	SPECTRUM PHARMACEUTICALS INC	13.8	6.7	09/19/09	7.5	0.8	0.35	63.41	101.27
14	TZA	DIREXION SHS ETF TR	12.87	16.53	09/19/09	25	0.55	0.99	54.3	85.56
15	LCC	U S AIRWAYS GROUP INC	12.77	2.93	09/19/09	5	0.05	0.18	51.96	96.63