

Blueprint

Want to hammer down investment security or pry up new profits? The Options Tool and *Blueprint* can help you build a profitable future.



The Options Tool

Happy New Year from *Blueprint*! In this issue, Brad Zigler of the Pacific Exchange discusses time value and how to use it wisely. Read on to find out how to "thwart the thief" of time.

This year, we are pleased to introduce an informative, new LEAPS[®] class. Check the schedule for a free LEAPS[®] seminar in your area.

We hope you enjoy this issue of *Blueprint* and that it increases your awareness and knowledge about options. As always, we invite you to respond to this publication and give us feedback.

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in Q & A**

**New LEAPS[®] Video
and Seminars**

**New Equity Listings
by Exchange**

Thwarting the Thief: the Basics of Time Spreads

By Brad Zigler
Director, Options Marketing, Research & Education
Pacific Exchange

If you've been to the Options Industry Council's basic option seminar, just before the cookies were served, you probably were told that time is a thief that often bedevils option buyers. Time value is the ethereal component of an option premium that wastes away as expiration inexorably approaches. But savvy option traders can foil the brigand.

XYZ, a perennial favorite of yours, now trades at 126 1/4. You believe it's due to breach new highs well over 140 within a month. But the technical gurus at the chart service think the stock will need a couple of weeks of base building first. Timing your trades has proven problematic in the past. What to do?

At first, you think about buying the nearest out-of-the-money 45-day call. Offered at 5 3/4, the 130 call's expiration break-even point is 135 3/4, well under your target. Remembering the discussion of time decay in OIC seminars, and the potential for two weeks worth of market quiescence,

you wonder if the call premium is a little too rich. A 17-day call, also struck at 130, is bid at 2 7/8. Consider the possibilities.

What about using the sale of the 17-day call to finance the purchase of the longer-term option?

<u>XYZ @ 126 1/4</u>	
Buy 45-day 130 call	-5 3/4
Sell 17-day 130 call	+2 7/8
Net debit	-2 7/8

It's easy to see that you immediately cut your cash outlay in half. But are there other implications? Is this a margin transaction? Are you still bullish? And what about volatility? Simply put, your answers are: 'no', 'sort of', and 'darn good question!'

This spread does not carry a margin requirement. Margin is a function of risk. The risk of being assigned on the short call is covered by ownership of the longer term option. You could exercise the long call in response to any assignment on the short option. The maximum risk in this spread, as shown below, is defined by the initial net debit.

Imbedded in every option premium is a volatility assumption. Volatility is the statistical measurement of a stock's price fluctuation over time. Plugging the premiums into an option pricing model, like that driving OIC's Options Toolbox software, you find

there is a 40% volatility predicted for the underlying stock. That means, basically, that the market has forecast a 2/3 chance for the stock to be within 40% of its current price over the next year. In other words, option market participants believe XYZ will be somewhere between 75 3/4 and 176 3/4 during that time. Given that, we can translate the volatility assumed for your options as:

- 17-day call: 10% (XYZ between 113 1/8 - 139 3/8)
- 45-day call: 17% (XYZ between 104 7/8 - 147 5/8)

Rationale

Buying the 45-day option implies you believe the built-in volatility is relatively 'cheap'. In other words, you inherently expect option volatility to end up higher than presently-imbedded levels at the call's expiration date. Meantime, selling the 17-day call implies you think this option's volatility forecast is too high, or 'rich'. A purchase of a longer term option sharing the same strike price as a written shorter option is known as a long time spread.

What you're really banking on is a flat market--of just such a duration as to allow for the wasting of the short option's life. The time spread capitalizes upon the accelerating time decay suffered by the short term option as its expiry approaches.

Directional Bias

You're certainly bullish--but not to any great degree at first. In fact, at the short term option's expiration, the spread's maximum potential value is obtained if the underlying stock trades at the options' common strike price. You'd have been even more bullish had you used a higher strike price.

In sum, for at least the short option's life span, you're really neutral to slightly bullish. Keep in mind, once (and if) the short term call expires, you're left with a long naked call remaining in account. From that point forward, you become adamantly bullish. It's then, too, that you enjoy the anticipated benefit of the spread--owning an outright call at a reduced cost basis and a lower break-even point. If the short call expires unexercized, the remaining 130 call breaks even at expiration with XYZ trading for 132 7/8.

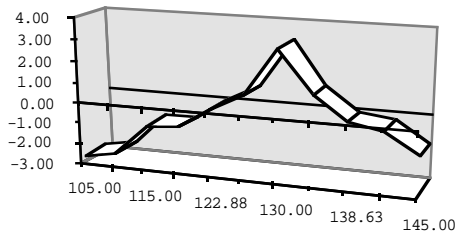
Note, though, as long as the shorter option remains extant, you have two break-even points. Again, a pricing model like The Options Toolbox can be used to forecast probable values* for the spread. For example, if implied volatility remains at 40% over the next 17 days, you could reasonably expect the spread to yield:

130 Call Time Spread at Short Option Expiration
40% Volatility

XYZ	Short Call	Long Call	Net	Profit/Loss
105	0	1/8	1/8	-2 3/4
110	0	3/8	3/8	-2 1/2
115	0	1	1	-1
120	0	2	2	-7/8
122 7/8	0	2 7/8	2 7/8	0
125	0	3 3/4	3 3/4	7/8
130	0	6	6	3 1/8
135	-5	9	4	1 1/8
138 5/8	-8 5/8	11 1/2	2 7/8	0
140	-10	12 5/8	2 5/8	-1/4
145	-15	16 5/8	1 5/8	-1 1/4

Graphically, the profit/loss profile looks like this:

130 Call Time Spread at Short Call Expiration



Maximum Risk & Potential Profit

Like many other debit spreads, the maximum exposure assumed is the initial net debit. For the 2 7/8 risk undertaken at the outset, the maximum potential profit of 3 1/8 seems attractive enough given the 3 3/4 move (130 strike price - 126 1/4 present stock price) necessary to produce it. That's almost the same potential gain provided by the purchase of the stock itself, but for a much lower cost basis. However, any additional advance in the stock's price above the strike actually brings diminishing returns in the spread. That, of course, wouldn't happen if you held the stock instead.

While changes in implied volatility will engender changes in the position's profit potential, as outlined below, the maximum risk exposure nonetheless is fixed at the initial net debit.

Volatility Bias

The chart hints at the degree of precision necessary in forecasting the underlying stock's price. With a constant implied volatility of 40%, before transaction costs, there's nearly a 16-point range of profitability for the spread (138 5/8 - 122 7/8 = 15 3/4). The profitability range, however, is elastic. Changes in option implied volatility can stretch the range or cause it to contract. If option implied volatility increases, so does the absolute dollar profit potential. A broader profit spectrum emerges as well. Assuming a 50% volatility rate, for example, yields:

130 Call Time Spread at Short Option Expiration
50% Volatility

XYZ	Short Call	Long Call	Net	Profit/Loss
105	0	7/16	7/16	-2 7/16
110	0	15/16	15/16	-1 15/16
115	0	1 13/16	1 13/16	-1 1/16
119 3/8	0	2 7/8	2 7/8	0
120	0	3 1/8	3 1/8	1/4
125	0	5	5	2 1/8
130	0	7 3/8	7 3/8	4 1/2
135	-5	10 3/8	5 3/8	2 1/2
140	-10	13 7/8	3 7/8	1
144 1/8	-14 1/8	17	2 7/8	0
145	-15	17 5/8	2 5/8	-1/4

Note that the maximum profit potential increases by 44%, and the range between break-even points widens about 59% to 25.

Not surprisingly, opposite effects are occasioned by the diminution of option volatility. Contrast the effect of 30% implied volatility on the spread:

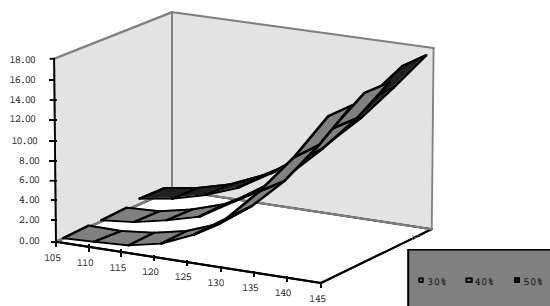
*This and subsequent tables and graphs reflect theoretical values derived from a binomial option pricing model using the assumption of a 4.5% interest rate and a 0% dividend yield. Actual option prices can vary significantly from theoretical projections depending upon market conditions. These examples do not include the effects of transaction costs or tax consequences.

130 Call Time Spread at Short Option Expiration
30% Volatility

XYZ	Short Call	Long Call	Net	Profit/Loss
105	0	0	0	-2 7/8
110	0	1/16	1/16	-2 13/16
115	0	5/16	5/16	-2 9/16
120	0	1	1	-1 7/8
125	0	2 5/16	2 5/16	-9/16
126 3/8	0	2 7/8	2 7/8	0
130	0	4 1/2	4 1/2	1 5/8
134 1/4	-4 1/4	7 1/8	2 7/8	0
135	-5	7 5/8	2 5/8	-1/4
140	-10	11 1/2	1 1/2	-1 3/8
145	-15	15 7/8	7/8	-2

Here, you can see the much narrower profit spectrum (7 7/8) obtainable when volatility shrinks. The maximum profit at the common strike price in absolute dollars is also obviously smaller.

In sum, owning the spread makes you every bit as sensitive to changes in option volatility as owning a naked long call.

Long 130 Call Premium at Short Call Expiration
Comparative Volatilities

(continued on back page)

Common Option Terms

ASSIGNMENT: Notification to an option writer that an option owner has exercised and that the terms of settlement must be met.

COVERED: An option strategy in which assignment risk is allayed with another market position, e.g., when call options are written against an equivalent number of long shares.

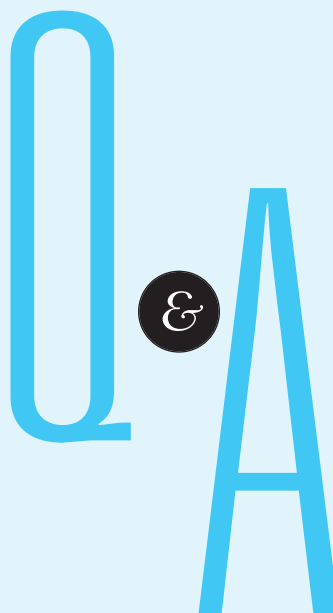
INTRINSIC VALUE: The in-the-money portion of an option's price.

OUT-OF-THE-MONEY: An option that has no intrinsic value, i.e., all of its premium is time value.

RATIO SPREAD: The purchase of options together with the writing of a greater number of the same option type that are out-of-the-money with respect to the options purchased.

WRITING: Selling options not previously owned through an opening sale transaction, making the writer subject to fulfilling the obligations of the contracts.

VOLATILITY: A measure of stock price fluctuation; mathematically, volatility is an annualized standard deviation of a stock's daily price change.



Is increased open interest in calls bullish?

You should keep in mind that open interest only reflects the total number of option contracts for a given option series which have been opened but not yet closed out. This indicates neither a bullish nor bearish outlook.

For example, if there is no existing open interest and you buy one contract from another customer, and no more trading occurs, the open interest in that series would be reported as one (1) contract. That open interest reflects one call seller (bearish) and one call buyer (bullish). Is that bullish or bearish? Most people would agree that the number is neutral and does not reflect any bullish or bearish sentiment.

If I exercise an in-the-money call option, how soon can I sell the stock?

As soon as you tell your broker you would like to exercise your right to buy the stock (strictly speaking, given "irrevocable instructions") you are deemed to be a stock owner. Because of the irrevocable nature of the call exercise, you will be buying the stock at the strike price, and you can sell those shares immediately after giving instructions to exercise.

What is the difference between American-style exercise and European-style exercise?

All equity options use American-style exercise. American-style exercise means that you can exercise your contract any day that the market is open before the expiration date. The last day to exercise an American-style option is usually the third Friday of the month in which the contract expires (expiration Friday).

Most index options, however, use European-style exercise. This means that the only time you can exercise your contract is the last trading day (usually Friday) before expiration. Remember, even though there is only one day in which you can exercise your contract, you can always close out your option position in the secondary market any day prior to expiration.

If I am short a call option (on a covered write) and I buy back my short call, is it possible for me to be assigned (and the stock position to be called away) that night?

No, it is not possible. The assignments are determined based on net positions after the close of the market each day. Therefore, if you bought back your short call, you no longer have a short position at the end of the day, and therefore no possibility of being assigned.

For more information, consult the web sites of the four U.S. options exchanges. In addition, a copy of the *Directory of Exchange Listed Options* is available from any of the exchanges, The Options Clearing Corporation or by calling The Options Industry Council at 1-800-566-9642.

American Stock Exchange

www.amex.com

Chicago Board Options Exchange

www.cboe.com

Pacific Exchange

www.pacificex.com

Philadelphia Stock Exchange

www.phlx.com

The Options Clearing Corporation

www.optionsclearing.com

The Options Industry Council

www.optionscentral.com



Have a question about options? Send it to The Options Industry Council and you may see it printed, along with an answer, in the next issue of *Blueprint*.

The Options Industry Council
440 South LaSalle Street, Suite 908
Chicago, Illinois 60605
Attention: *Blueprint* editor

New Equity Option Listings

Following are new listings for August through December 1998:

AMEX Equity

99 Cents Only Stores	NNZ	MindSpring Enterprises, Inc.	MQD
Advance Paradigm, Inc.	QVD	Mutual Risk Management, Ltd.	MM
Akzo Nobel NV	OUQ	National Computer Systems	QEZ
Algos Pharmaceutical Corp.	QQL	NCO Group, Inc.	GCQ
Alternative Living Services	ALI	New Era of Networks	QNO
AMC Entertainment	AEN	New Plan Excel Realty Trust	NXL
AmeriSource Health Corp.	AAS	Newcourt Credit Group, Inc.	NCT
Ameritrade Holding Corp.	TQA	Novoste Corp.	QOH
Amkor Technology, Inc.	QEL	Ocular Sciences, Inc.	QLO
Anchor Gaming	QLT	Orion Capital Corp.	OC
AngloGold Limited	AU	Oshkosh B'gosh, Inc.	QOK
AnswerThink Consulting	QRA	Park Place Entertainment Corp.	PPE
Applied Power, Inc.	APW	Pennzoil-Quaker State Co.	PZL
AptaGroup	ATR	Peregrine Systems, Inc.	GQP
Banco Bilbao Vizcaya, SA	BBV	Plantronics, Inc.	PLT
Banco de Galicia y Buenos	QYL	Pohang Iron & Steel Co., Ltd.	PKX
Boron Lepore & Associates	BQL	Price Communications Corp.	PR
Broadcom Corp.	RCQ	ProBusiness Services	PQU
Brooke Group Ltd.	BGL	Profit Recovery Group Intl. (The)	FPQ
Cal Dive International Inc.	KPQ	Protection One, Inc.	POI
Capital Automotive Reit	CQC	Reltec Corporation	RLT
Capital Re Corp.	KRE	Rent-Way, Inc.	RWY
Capstar Broadcasting Corp.	CRB	Resmed, Inc.	QRV
CDNow, Inc.	NWQ	Restoration Hardware, Inc.	QYH
Celestica, Inc.	CLS	SAP AG ADR	SAP
Chattem, Inc.	HQT	Security First Technologies	QFB
CNET, Inc.	QKW	Serologicals Corp.	QEO
Colt Telecom Group PLC	CQF	Software AG Systems, Inc.	AGS
Com21, Inc.	CQH	software.net Corp.	QYD
Computer Management Sciences	CQD	Sprint Corporation PCS Group	PCS
Concentric Network Corp.	QXF	Superior Telecom, Inc.	SUT
Conexant Systems, Inc.	QXN	Tele Centro Sul Participacoes SA	TCS
Conoco, Inc.	COC	Tele Norte Leste Participacoes SA	TNE
Convergys Corp.	CVG	Tele Sudeste Celular Particip. SA	TSD
Coyote Network Systems, Inc.	QTO	Telebras HoldRs	TBH
Crown Castle International	QYW	Telesp Celular Participacoes SA	TCP
Dendrite International	DEQ	Telesp Participacoes SA	TSP
DM Management, Co.	DQH	Timberline Software Corp.	QVT
Doubleclick Inc.	QTD	Torchmark Distribution	TMV
El Paso Electric Company	EE	Trex Medical Corp.	TXM
Elder-Beerman Stores (The)	BQM	Unicapital Corp.	UCP
Embratel Participacoes SA	EMT	United Rentals	URI
Entrust Technologies, Inc.	QYE	US LEC Corporation	QUF
Equant NV	ENT	USEC, Inc.	USU
Equitable Resources, Inc.	EQT	Verio, Inc.	RLQ
Exodus Communications, Inc.	QED	Verisign, Inc.	QVR
Express Scripts, Inc. (Class A)	XTQ	Visual Network	QVN
Federated Investors	FII	VWR Scientific Products Corp.	QVW
First Years (The)	FYQ	Waddell & Reed Financial, Inc.	WDR
Fomento Economico Mexicano	FMX	Washington Mutual, Inc.	WM
Fox Entertainment Group	FOX	Young & Rubicam Inc.	YNR
Freeport-McMoran Sulphur, Inc.	FSC	Ziff-Davis Inc.	ZD
Friede Goldman International	FGI		
fvc.com, Inc.	FXQ		
Genesis Microchip Inc.	QFE		
Global Crossing, Ltd.	QGV		
Groupe Danone	DA		
Handleman Company	HDL		
Heller Financial	HF		
Hemispher Biopharma	HEB		
Hyperion Telecommunications	QPI		
ICON CMT Corp.	QYT		
Infinity Broadcasting Corp.	INF		
Inktomi Corp.	QYK		
Insigna Financial Group, Inc.	IFS		
Intl. Telecom. Data Systems, Inc.	TQJ		
Intervu, Inc.	QYU		
Kendle International, Inc.	KQR		
Knight/Trimark Group, Inc.	QTN		
LCC International	QXC		
LHS Group, Inc.	QLH		
Lodjain, Inc.	LOD		
Loews Cineplex Entertainment	LCP		
Maxtor Corp.	MLQ		
McMoran Exploration	MMR		
Medallion Financial	TOX		
Medicis Pharmaceutical Corp.	MRX		
Mercury Computer Systems	QYR		
Meredith Corp.	MDP		
Metzler Group	QZE		
Micro Focus Group PLC	QGM		
Micros Systems, Inc.	QXM		
Micromuse, Inc.	QUM		

AMEX LEAPS®

Amazon.com, Inc. (2000)	LOH
Amazon.com, Inc. (2001)	ZWE
America Online, Inc. (2000)	LKF
America Online, Inc. (2001)	ZKF
Broadcom Corp. (2000)	LGJ
Broadcom Corp. (2001)	ZGJ
CIT Group (2000)	LVF
CMG Information Sys., Inc. (2000)	LCK
CMG Information Sys., Inc. (2001)	ZKG
MBNA Corp. (2001)	ZK
Network Associates (2000)	LNE
Network Associates (2001)	ZNE
U.S. Bancorp (2000)	LBG
U.S. Bancorp (2001)	ZBU
Washington Mutual (2001)	ZWI
World Access, Inc. (2000)	LCD
World Access, Inc. (2001)	ZNC
YAHOO Inc. (2000)	LGH
YAHOO Inc. (2001)	ZGH

CBOE Equity

Aegon NV ADR	AEG
Akzo Nobel NV	OUQ
Allegiance Telecom, Inc.	QGX
Alternative Living Services	ALI
Amdocs Ltd.	DOX

American Capital Strategies, Ltd.	DQS	Restoration Hardware, Inc.	QYH
AmeriSource Health Corp.	AAS	RF Micro Devices, Inc.	RQZ
Ameritrade Holding Corp. (Cl. A)	TQA	SAP AG	SAP
Amkor Technology, Inc.	QEL	School Specialty, Inc.	HCQ
Anchor Gaming	QLT	Security First Technologies	QFB
AngloGold Limited	AU	Select Appointment Hldgs. ADR	QEQ
Annuity & Life Re Holdings	AQY	Software AG Systems, Inc.	AGS
AnswerThink Consulting	QRA	SPR, Inc.	QIR
Anthracite Capital, Inc.	AHR	Sprint Corporation PCS Group	PCS
Applied Power, Inc.	APW	Stolt Comex Seaway SA	QSO
Aurora Foods, Inc.	AOR	Tele Centro Sul Participacoes	TCS
Banco Bilbao Vizcaya, SA	BBV	Tele Norte Leste Participacoes	TNE
Bank One Corp.	ONE	Tele Sudeste Celular Part.	TQD
Bank Plus Corp.	QBP	Telebras Holding Co.	TBH
Beyond.com Corp.	QYD	Telesp Celular Participacoes	TCP
Boron Lepore & Associates	BQL	Telesp Participacoes SA	TSP
Broadcom Corp.	RCQ	The Laser Center, Inc.	QKR
Brooke Group, Ltd.	BGL	Tier Technologies, Inc.	QTI
Cable & Wireless Comm. Plc.	CWZ	USEC, Inc.	USU
Cal Dive International Inc.	KPQ	Ventana Medical Systems	QMP
Capital Automotive Reit	CQC	Verio, Inc.	RLQ
Capital Re Corp.	KRE	Verisign Inc.	QVR
CDNow, Inc.	NWQ	Vistana, Inc.	QNM
CNET, Inc.	QKW	Washington Water Power Co.	WWVP
COLT Telecom Group Plc. ADR	CQF	Ziff-Davis Inc.	ZD
Com21, Inc.	CQH		
Concentric Network Corp.	QXF		
Conoco, Inc.	COC		
Convergys Corp.	CVG		
Coyote Network Systems, Inc.	QTO		
Crown Castle International	QYW		
Daimler-Chrysler AG	DCX		
DM Management Company	DQH		
Doubleclick Inc.	QTD		
Elder-Beerman Stores (The)	BQM		
Entrust Technologies, Inc.	QYE		
Equant NV	ENT		
Exodus Communications, Inc.	QED		
Federated Investors Inc. (Class B)	FII		
Fomento Economico Mexicano	FMX		
Fox Entertainment Group	FOX		
Freeport-McMoran Sulphur, Inc.	FSC		
French Fragrances, Inc.	QGG		
fvc.com, Inc.	FXQ		
Genesis Microchip, Inc.	QFE		
Getty Images Inc.	QGT		
Global Crossing, Ltd.	QGV		
Global Industrial Tech., Inc.	GIX		
Groupe Danone	DA		
Handleman Company	HDL		
Heller Financial Inc.	HF		
Hemispher Biopharma	HEB		
Hyperion Telecomm Inc. (Cl. A)	QPI		
ICON CMT Corp.	QYT		
Impath, Inc.	QPH		
Infinity Broadcasting Corp.	INF		
Inktomi Corp.	QYK		
Intervu, Inc.	QYU		
Kendle International, Inc.	KQR		
Knight/Trimark Group, Inc.	QTN		
La Z Boy, Inc.	LZB		
LHS Group Inc.	QLH		
Loews Cineplex Entertainment	LCP		
Luxottica Group SP A	LUX		
Maxtor Corp.	MLQ		
MCI Worldcom, Inc.	LDQ		
McMoran Exploration	MMR		
Medallion Financial Corp.	TOX		
Meredith Corp.	MDP		
Metris Companies, Inc.	TQW		
Mettler-Toledo International	MTD		
Metzler Group Inc.	QZE		
Micro Focus Group Plc.	QGM		
Micromuse, Inc.	QUM		
MindSpring Enterprises Inc.	MQD		
MSC Industrial Direct Co., Inc.	MSM		
National Computer Systems, Inc.	QEZ		
National RV Holdings, Inc.	NVH		
New Era of Networks Inc.	QNO		
Newcourt Credit Group, Inc.	NCT		
Novoste Corp.	QOH		
Ocular Sciences, Inc.	QLO		
Orion Capital Corp.	OC		
Penton Media, Inc.	PME		
Peregrine Systems Inc.	GQP		
Pohang Iron & Steel Co., Ltd.	PKX		
Protective Life Corp.	PL		
Provident Financial Group	QGV		
Reltec Corporation	RLT		
Republic Security Financial	QRF		

CBOE LEAPS®

Abercrombie & Fitch (2000 LEAP)	LNF
Abercrombie & Fitch (2001 LEAP)	ZFO
amazon.com, Inc. (2000 LEAP)	LOH
amazon.com, Inc. (2001 LEAP)	ZWE
amazon.com, Inc. (2001 LEAP)	ZCR
America Online Inc. (2000 LEAP)	LKF
America Online Inc. (2001 LEAP)	ZKF
American Express (2000 LEAP)	LAX
American Express (2001 LEAP)	ZXP
Avon Products (2001 LEAP)	ZVP
Bank One Corp. (2000 LEAP)	LBE
Bank One Corp. (2001 LEAP)	ZBE
Broadcom Corp. (2000 LEAP)	LGJ
Broadcom Corp. (2001 LEAP)	ZGJ
CIT Group (2000 LEAP)	LVF
Citigroup Inc. (2000 LEAP)	LVR
Citigroup Inc. (2001 LEAP)	ZRV
CMGI, Inc. (2000 LEAP)	LKG
CMGI, Inc. (2001 LEAP)	ZCK
Coca Cola Ent. (2000 LEAP)	LCC
Coca Cola Ent. (2001 LEAP)	ZCC
Dupont (2000 LEAP)	LDD
Dupont (2001 LEAP)	ZDD
Halliburton Co. (2001 LEAP)	ZHW
MCI Worldcom, Inc. (2001 LEAP)	ZQM
MCI Worldcom, Inc. (2000 LEAP)	LQM
Merrill Lynch (2000 LEAP)	LME
Merrill Lynch (2001 LEAP)	ZEM
Sepracor Inc. (2000 LEAP)	LGD
Sepracor Inc. (2001 LEAP)	ZQT
U.S. Bancorp (2000 LEAP)	LBG
U.S. Bancorp (2001 LEAP)	ZBU
Walt Disney (2000 LEAP)	LWD
Walt Disney (2001 LEAP)	ZDS
YAHOO Inc. (2000 LEAP)	LGH
YAHOO Inc. (2001 LEAP)	ZGH

PCX Equity

A.O. Smith Corporation	AOS
Advance Paradigm, Inc.	QVD
Akzo Nobel NV	OUQ
Algos Pharmaceutical Corp.	GQL
Amdocs Ltd.	DOX
AmeriSource Health Corp.	AAS
Ameritrade Holding Corp.	TQA
Anchor Gaming	QLT
AngloGold Limited	AU
Applied Industrial Tech.	APZ
Applied Power, Inc.	APW
AptarGroup, Inc.	ATR
Aurora Foods, Inc.	AOR
Banco Bilbao Vizcaya, SA	BBV
Banco de Galicia y Buenos	QYL
Bank Plus Corporation	QBP
Benchmark Electronics, Inc.	BHE
Brady Corp.	BQR
Broadcom Corp.	RCQ
Capital Re Corp.	KRE
CDNow, Inc.	NWQ
Chattem, Inc.	HQT

Cleco Corporation CNL
 Colt Telecom Group PLC CQF
 Com21, Inc. CQH
 Comdial Corp. TQC
 Commercial Net Lease Realty NNN
 Computer Management Sciences CQD
 Concentric Network Corp. QXF
 Conoco, Inc. COG
 Coyote Network Systems, Inc. CYOE
 Crown Castle International QYW
 CTS Corp. CTS
 DoubleClick, Inc. QTD
 El Paso Electric Company EE
 Elder-Beerman Stores (The) BQM
 Entrust Technologies, Inc. QYE
 Equant NV ENT
 Equitable Resources, Inc. EQT
 Essex International, Inc. SXC
 Exodus Communications, Inc. QED
 First Years (The) FYQ
 Firstar Corp. FSR
 Fox Entertainment Group FOX
 Freedom Securities Corp. FSI
 Freeport-McMoran Sulphur, Inc. FSC
 French Fragrances, Inc. GQG
 fvc.com, Inc. FXQ
 Getty Images, Inc. QGT
 Global Crossing, Ltd. QGV
 Graco, Inc. GGG
 Guilford Mills, Inc. GFD
 Handleman Company HDL
 Heller Financial, Inc. HF
 Hyperion Telecomm., Inc. QPI
 Icon CMT Corporation QYT
 Infinity Broadcasting Corp. INF
 Inktomi Corp. QYK
 Intl. Telecomm. Data Sys., Inc. TQJ
 Kaydon Corp. KDN
 Keystone Automotive Industries TQV
 KTI, Inc. QQJ
 La Z Boy, Inc. LZB
 Lasalle Hotel Properties LHO
 LHS Group, Inc. QLH
 Loews Cineplex Ent. Corp. LCP
 Maxtor Corp. MQL
 Maxwell Technologies, Inc. QMW
 Medallion Financial Corp. TQX
 Meredith Corp. MDP
 MeriStar Hospitality Corp. MHX
 Metzler Group, Inc. QZE
 Micromuse, Inc. QUM
 MICROS Systems, Inc. QXM
 MindSpring Enterprises, Inc. MQD
 Mitel Corp. MLT
 MSC Industrial Direct Co., Inc. MSM
 National Computer Systems, Inc. QEZ
 National RV Holdings, Inc. NVH

NCO Group, Inc. GCQ
 New Era of Networks, Inc. QNO
 Newcourt Credit Group Inc. NCT
 Newport Corporation QNW
 NFO Worldwide, Inc. NFO
 Nichols Research Corporation NRES
 NPC International, Inc. NPCI
 Oshkosh B'gosh, Inc. QOK
 Owens & Minor, Inc. OMI
 Peregrine Systems, Inc. GOP
 PFF Bancorp, Inc. PQC
 PharmaPrint, Inc. QPN
 Plantronics, Inc. PLT
 PolyMedica Corporation PM
 Racing Champions Corp. MCQ
 Rainbow Technologies, Inc. BQO
 RCM Technologies, Inc. RIQ
 Reltec Corporation RLT
 Republic Security Financial QRF
 Resmed, Inc. QRV
 RF Micro Devices, Inc. ROZ
 RPC, Inc. RES
 SAP AG ADR SAP
 SCB Computer Technology, Inc. TQL
 Simpson Industries, Inc. XQX
 Software AG Systems, Inc. AGS
 Sprint Corporation PCS Group PCS
 SS&C Technologies, Inc. QUU
 Superior Telecom, Inc. SUT
 Susquehanna Bancshares, Inc. JQW
 Timberline Software Corp. QVT
 Trustco Bank Corp. NY TQK
 United Dominion Industries UDI
 US LEC Corporation QFU
 Varlen Corp. XQV
 Verio, Inc. RLQ
 VeriSign, Inc. QVR
 Visual Network, Inc. QVN
 Washington Water Power Co. WWVP
 Young & Rubicam Inc. YNR

PCX LEAPS®

Abercrombie & Fitch (2000) LNF
 Abercrombie & Fitch (2001) ZFQ
 Amazon.com, Inc. (2000) LOH
 Amazon.com, Inc. (2001) ZWE
 BMC Software, Inc. (2000) LHB
 BMC Software, Inc. (2001) ZUS
 Broadcom Corp. (2000) LGJ
 Broadcom Corp. (2001) ZGJ
 First American Corporation (2000) LCN
 First American Corporation (2001) ZCN
 HBO & Company (2000) LHG
 HBO & Company (2001) ZHG
 Network Associates, Inc. (2000) LNE
 Network Associates, Inc. (2001) ZNE

PHLX Equity

Aegon NV ADR AEG
 Akzo Nobel NV OUQ
 Alexander & Baldwin, Inc. XQD
 Algos Pharmaceutical Corp. GQL
 Allegiance Telecom, Inc. QGX
 AmeriSource Health Corp. AAS
 Amkor Technology, Inc. QEL
 Annuity & Life Re Holdings AQY
 Anthracite Capital, Inc. AHR
 Arrow International Capital QRO
 Aurora Foods, Inc. AOR
 Banco Bilbao Vizcaya, SA BBV
 Banco de Galicia y Buenos QYL
 Beyond.com Corp. QYO
 BOC Group PLC (The) BOX
 Boron Lepore & Associates BQL
 Broadcom Corp. RCQ
 Brooke Group Ltd. BGL
 Brush Wellman, Inc. BW
 Cable & Wireless Comm. PL CWZ
 Cabot Oil & Gas Corp. COG
 Capital Automotive Reit CQC
 Capital Re Corp. KRE
 CDNow, Inc. NWO
 Chatterm, Inc. HQT
 Com21, Inc. CQH
 Concentric Network Corp. QXF
 Conoco, Inc. COC
 Crown Castle International QYW
 Developers Diversified Realty DDR
 DM Management Co. DQH
 Elder-Beerman Stores (The) BQM
 Entrust Technologies, Inc. QYE
 Everen Capital Corp. EVR
 Exodus Communications, Inc. QED
 Firstar Corp. FSR
 Fomento Economico Mexicano FMX
 Fox Entertainment Group FOX
 Freedom Securities Corp. FSI
 French Fragrances, Inc. GQG
 fvc.com, Inc. FXQ
 Global Crossing, Ltd. QGV
 Groupe Danone DA
 Handleman Company HDL
 Host Marriott Corp. (REIT) HMT
 Infinity Broadcasting Corp. INF
 Inktomi Corp. QYK
 Intl. Telecomm. Data Sys., Inc. TQJ
 Kaydon Corp. KDN
 Keystone Automotive Industries TQV
 KTI, Inc. QQJ
 La Z Boy, Inc. LZB
 LHS Group, Inc. QLH
 Luxottica Group SP A LUX
 Maxtor Corp. MQL

Meredith Corp. MDP
 MeriStar Hospitality Corp. MHX
 MindSpring Enterprises, Inc. MQD
 MSC Industrial Direct Co., Inc. MSM
 Mutual Risk Management, Ltd. MM
 NCO Group, Inc. GCQ
 Newcourt Credit Group, Inc. NCT
 NFO Worldwide, Inc. NFO
 NTL Inc. IQS
 Ohio Casualty Corporation OHQ
 Orion Capital Corp. OC
 Oshkosh B'gosh, Inc. QOK
 Peregrine Systems, Inc. GOP
 Pohang Iron & Steel Co., Ltd. PKX
 Prologis Trust PLD
 Racing Champions Corp. MCQ
 RCM Technologies, Inc. RIQ
 Republic Security Financial QRF
 Restoration Hardware, Inc. QYH
 RF Micro Devices, Inc. ROZ
 Rollins, Inc. ROL
 SAP AG ADR SAP
 Software AG Systems, Inc. AGS
 Sprint Corporation PCS Group PCS
 Sprint Distribution FNO
 Stanford Communications, Inc. SDQ
 Stolt Comex Seaway SA QSO
 Telebras HoldRs TBH
 Timberline Software Corp. QVT
 United Dominion Industries UDI
 VeriSign, Inc. QVR
 Waddell & Reed Financial, Inc. WDR
 Young & Rubicam Inc. YNR

PHLX LEAPS®

Amazon.com, Inc. (2000) LCR
 Amazon.com, Inc. (2000) LOH
 Amazon.com, Inc. (2001) ZWE
 Amazon.com, Inc. (2001) ZCR
 Broadcom Corp. (2000) LGJ
 Broadcom Corp. (2001) ZGJ
 Republic New York (2000) LJJ
 Republic New York (2001) ZJJ
 Sovereign Bancorp (2000) LSA
 Sovereign Bancorp (2001) ZSW
 Sprint Distribution (2000) LNS
 Sprint Distribution (2001) ZOV
 YAHOO Inc. (2000) LGH
 YAHOO Inc. (2001) ZGH



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Cover Story (Continued)

Bottom Line

Your original objective was the exploitation of two weeks' worth of calm to cheapen the cost of the longer term call. Should the short term call expire unexercised, the cost basis for the longer term option would be reduced to 2 7/8. With the resultant 132 7/8 expiration break-even, the remaining call's profit/loss characteristics would be:

Long 130 Call Profit/Loss Net of Short Call

XYZ	Premium at Expiration	Profit/Loss
105	0	-2 7/8
110	0	-2 7/8
115	0	-2 7/8
120	0	-2 7/8
125	0	-2 7/8
130	0	-2 7/8
132 7/8	2 7/8	0
135	5	2 1/8
140	10	7 1/8
145	15	12 1/8

After the short call's expiration, the thief of time again begins the pillage of premium. But by then, you've salted away enough premium savings to keep him from robbing you blind.

New LEAPS® Video and Seminar Offered

As part of OIC's effort to bring LEAPS® information and education to investors and brokers, a new LEAPS® video will be released in February, 1999.

To further enhance your education, refer to the seminar schedule and enroll in a newly-offered LEAPS® class in your area. Each LEAPS® class begins with a definition of LEAPS® and then presents strategies and examples for several market conditions.

Additional LEAPS® strategies and examples are presented in *The Options Toolbox* interactive software, which you will receive for free when you attend an OIC seminar. To register for a free seminar in your area or to receive a seminar schedule, please call **1-800-444-4360**.

All seminars are from 6:00 p.m. - 9:00 p.m. and include a 60-minute basic session and a 90-minute intermediate session, unless noted otherwise. Using real market data, you'll learn fundamentals and how to choose an option strategy in light of market expectations and volatility forecasts. An advanced workshop on strategy selection is available for those who have attended an OIC intermediate session or have extensive experience using options. This year, OIC introduces a seminar on LEAPS® (Long Term Equity Anticipation Securities®).

San Diego (L)	February 2	New York Midtown (L) .	March 9
Newport Beach (L) . . .	February 3	Parsippany (L)	March 10
Pasadena (L)	February 4	New Haven (L)	March 11
Salt Lake City	February 9	Sacramento	March 16
Denver	February 10	San Jose	March 17
Denver (A)	February 11	San Jose (A)	March 18
Phoenix (L)	February 23	Paramus, NJ	March 23
Chicago	February 23	Philadelphia	March 24
Chicago (A)	February 24	Philadelphia (A)	March 25
Oak Brook, IL (L)	February 25	Minneapolis (L)	April 13
Los Angeles	February 24	Detroit (L)	April 14
Los Angeles (A)	February 25	Indianapolis	April 15
Cincinnati (L)	March 2	Toronto (L)	April 20
Dayton	March 3	Boston (L)	April 21
Columbus	March 4	Washington DC (L)	April 22

(B) = Basic only (I) = Intermediate only
(L) = LEAPS® (A) = Advanced workshop



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