

# **Beginners Corner Information**

## Lesson 8

### Step-By-Step Process For Mastering Put-Selling

Selling Cash-Secured Puts

## Form A Watch List Of The Best Put-Selling Candidates: The "Running List"

- Fundamental analysis (IBD 50, SmartSelect, Scouter Ratings, finviz.com)
- Technical analysis (moving averages, MACD, stochastic oscillator, volume)
- Common sense principles (earnings reports, diversification)
- 40-60 stocks is a comfortable number

| Symbol                                   | Company Name           | Weekly Rank or Other Source | Price  | Opts Avail (Y/N) | Report Same Store Sales (Y/N) | Pass Fund'I And Tech'I Screens (Y/N) | Avg. Vol.: >250K Sh/Day (Y/N) | Pass Risk vs. Reward (Rank 5 or Higher) | Chart: PRICE BAR<br><i>above</i> 20 EMA<br><i>above</i> 100 EMA (Y/N/@) | Tech Ind. OK: MACD & Stoch. (Y/N/?) | Earn. Report In This Option Month (Y/N) | Comments |
|--|------------------------|-----------------------------|--------|------------------|-------------------------------|--------------------------------------|-------------------------------|---|---|-------------------------------------|---|----------|
| Passed All Screens - ELIGIBLE CANDIDATES |                        |                             |        |                  |                               |                                      |                               |   |   |                                     |   |          |
| ADS                                      | Alliance Data Sys Corp | 38                          | 283.61 | Y                | N                             | Y                                    | Y                             | 9                                       | Y   | Y                                   | N                                       |          |
| AFSI                                     | Amtrust Financial Svcs | 35                          | 49.89  | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| ALXN                                     | Alexion Pharma         | 10                          | 193.81 | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| AMBA                                     | Ambarella Inc          | 8                           | 47.14  | Y                | N                             | Y                                    | Y                             | 5                                       | Y   | Y                                   | N                                       |          |
| BKW                                      | Burger King Worldwide  | Other                       | 32.60  | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| CAVM                                     | Cavium Inc             | 28                          | 53.07  | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| CNC                                      | Centene Corp           | Other                       | 91.72  | Y                | N                             | Y                                    | Y                             | 6                                       | Y   | Y                                   | N                                       |          |
| CP                                       | Canadian Pacific Rail  | Other                       | 206.47 | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| CTSH                                     | Cognizant Tech Sol     | Other                       | 53.62  | Y                | N                             | Y                                    | Y                             | 10                                      | Y   | Y                                   | N                                       |          |
| ELLI                                     | Ellie Mae Inc          | Other                       | 40.29  | Y                | N                             | Y                                    | Y                             | 5                                       | Y   | Y                                   | N                                       |          |
| EW                                       | Edwards Lifesciences   | Other                       | 122.76 | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| FFIV                                     | F 5 Networks Inc       | 34                          | 126.66 | Y                | N                             | Y                                    | Y                             | 10                                      | Y   | Y                                   | N                                       |          |
| HAWK                                     | Blackhawk Network      | Other                       | 36.30  | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| IDTI                                     | Integrated Device Tech | Other                       | 17.73  | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| IDXX                                     | Idexx Laboratories Inc | Other                       | 145.16 | Y                | N                             | Y                                    | Y                             | 10                                      | Y   | Y                                   | N                                       |          |
| LSTR                                     | Landstar System Inc    | Other                       | 76.73  | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| MANH                                     | Manhattan Associates   | 16                          | 40.05  | Y                | N                             | Y                                    | Y                             | 10                                      | Y   | Y                                   | N                                       |          |
| MMP                                      | Magellan Midstream Ptr | Other                       | 84.51  | Y                | N                             | Y                                    | Y                             | 9                                       | Y   | Y                                   | N                                       |          |
| MPWR                                     | Monolithic Power Syst  | 39                          | 44.69  | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |
| NCLH                                     | Norwegian Cruise Lne   | Other                       | 38.99  | Y                | N                             | Y                                    | Y                             | 7                                       | Y   | Y                                   | N                                       |          |

| Prev.<br>Expiry<br>Month             | Current Month |          |          |          |                       | Running<br>List                             | Price  | #<br>Wks<br>On<br>Run<br>List | Next ER<br>Date | Industry<br>Segment | Segment<br>Rank | Beta | %<br>Div.<br>Yield | Wkly<br>Avail | NTM<br>OI<br>>100<br>Cntr. | Comments<br>(The last or next Ex-Div<br>date is shown) |
|--------------------------------------|---------------|----------|----------|----------|-----------------------|---|--------|-------------------------------|-----------------|---------------------|-----------------|------|--------------------|---------------|----------------------------|--|
|                                      | Week 1        | Week 2   | Week 3   | Week 4   | Expiry<br>▼<br>Week 5 |   |        |                               |                 |                     |                 |      |                    |               |                            |  |
| 10/17/14                             | 10/24/14      | 10/31/14 | 11/07/14 | 11/14/14 | 11/21/14              |   |        |                               |                 |                     |                 |      |                    |               |                            |  |
| IBD 50 & OTHER - PASSED CURRENT WEEK |               |          |          |          |                       | PASSED PREVIOUS WEEKS & PASSED CURRENT WEEK |        |                               |                 |                     |                 |      |                    |               |                            |  |
| AFSI                                 | AFSI          | AAPL     | AAPL     |          |                       | SCLN  | 7.71   | 6                             | 11/10/14        | Medical             | A/A             | 1.37 |                    |               | Y                          |  |
| AKR                                  | AGN           | ABC      | ABC      |          |                       | MMS   | 49.19  | 2                             | 11/13/14        | Busn Svcs           | B/C             | 1.20 | 0.40               |               | N                          | 11/12/14   |
| AKRX                                 | AKRX          | ADS      | ACT      |          |                       | MONT  | 22.21  | 5                             | 11/14/14        | Chips               | A/A             | n/a  |                    |               | Y                          | Possible delisting by NASDAQ                           |
| AMBA                                 | ALXN          | AGN      | ADS      |          |                       | CRM   | 63.97  | 2                             | 11/19/14        | Software            | A/A             | 1.73 |                    | Y             | Y                          |  |
| ATHM                                 | AMBA          | AKRX     | AFSI     |          |                       | GMCR  | 152.90 | 3                             | 11/19/14        | Retail              | A/A             | 1.37 | 0.70               | Y             | Y                          | 10/01/14   |
| AVGO                                 | ATHM          | ALXN     | AGN      |          |                       | ARUN  | 21.11  | 2                             | 11/20/14        | Internet            | A/A             | 1.50 |                    |               | Y                          |  |
| CRL                                  | AVGO          | AMBA     | ALK      |          |                       | AMBA  | 47.14  | 8                             | 12/04/14        | Chips               | A/A             | 2.25 |                    | Y             | Y                          |  |
| DATA                                 | BCR           | AMGN     | ALXN     |          |                       | AVGO  | 85.04  | 4                             | 12/04/14        | Chips               | A/A             | 1.58 | 1.50               |               | Y                          | 09/17/14   |
| EXR                                  | BITA          | ARUN     | AMBA     |          |                       | LEN   | 44.54  | 2                             | 12/18/14        | Building            | C/C             | 1.10 | 0.40               |               | Y                          | 10/15/14   |
| GPN                                  | BKW           | AVGO     | AMGN     |          |                       | GPN   | 82.76  | 5                             | 01/07/15        | Finance             | A/A             | 1.06 | 0.10               |               | Y                          | 11/12/14   |
| HAIN                                 | BRCM          | BCC      | AVGO     |          |                       | HAWK  | 36.30  | 4                             | 01/07/15        | Finance             | A/A             | 0.75 |                    |               | Y                          |  |
| HAWK                                 | CELG          | BCR      | BCR      |          |                       | OZRK  | 36.30  | 3                             | 01/13/15        | Banks               | B/B             | 1.17 | 1.40               |               | Y                          | 10/15/14   |
| HDB                                  | CP            | BIDU     | BIDU     |          |                       | TSM   | 21.82  | 3                             | 01/15/15        | Chips               | B/B             | 0.79 | 1.80               |               | Y                          | 07/14/14   |

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11/9/2014

| Prev.<br>Expiry<br>Month | Current Month |          |          |          |                       | Running<br>List | Price  | #<br>Wks<br>On<br>Run<br>List | Next ER<br>Date | Industry<br>Segment | Segment<br>Rank | Beta | %<br>Div.<br>Yield | Wkly<br>Avail | NTM<br>OI<br>>100<br>Cntr. | Comments<br>(The last or next Ex-Div<br>date is shown) |
|--------------------------|---------------|----------|----------|----------|-----------------------|-----------------|--------|-------------------------------|-----------------|---------------------|-----------------|------|--------------------|---------------|----------------------------|--|
|                          | Week 1        | Week 2   | Week 3   | Week 4   | Expiry<br>▼<br>Week 5 |                 |        |                               |                 |                     |                 |      |                    |               |                            |  |
| 10/17/14                 | 10/24/14      | 10/31/14 | 11/07/14 | 11/14/14 | 11/21/14              |                 |        |                               |                 |                     |                 |      |                    |               |                            |  |
| INSY                     | CRL           | BKW      | BKW      |          |                       | WAL             | 26.52  | 2                             | 01/15/15        | Banks               | B/C             | 1.53 |                    |               | Y                          |  |
| JAZZ                     | CTAS          | CELG     | CAVM     |          |                       | MANH            | 40.05  | 6                             | 01/20/15        | Software            | A/A             | 1.30 |                    |               | Y                          |  |
| KNX                      | DATA          | CFN      | CDW      |          |                       | RHI             | 56.00  | 1                             | 01/20/15        | Busn Svcs           | B               | 1.37 | 1.30               |               | Y                          | 11/21/14   |
| LSTR                     | EPAM          | CNC      | CELG     |          |                       | BCR             | 162.38 | 3                             | 01/21/15        | Medical             | A/A             | 0.95 | 0.50               |               | Y                          | 10/16/14   |
| MANH                     | EXR           | CP       | CNC      |          |                       | FFIV            | 126.66 | 2                             | 01/21/15        | Internet            | A/A             | 1.34 |                    | Y             | Y                          |  |
| MONT                     | FB            | CRM      | CP       |          |                       | NXPI            | 73.54  | 2                             | 01/21/15        | Chips               | A/A             | 1.80 |                    |               | Y                          |  |



# Options Chain- Prepare For Calculations

| Dec 13 | Puts  |                 |       |       |     |       |
|--------|-------|-----------------|-------|-------|-----|-------|
| Strike | Last  | Intrinsic Value | Bid   |       |     |       |
| 50.00  | 0.05  | 0.00            | 0.05  |       |     |       |
| 55.00  | 0.10  | 0.00            | 0.15  |       |     |       |
| 60.00  | 0.05  | 0.00            | 0.05  |       |     |       |
| 62.50  | 2.83  | 0.00            | 0.65  |       |     |       |
| 65.00  | 0.10  | 0.00            | 0.05  |       |     |       |
| 67.50  | 0.20  | 0.00            | 0.15  | 0.25  | 0   | 350   |
| 70.00  | 0.32  | 0.00            | 0.30  | 0.35  | 30  | 745   |
| 72.50  | 0.55  | 0.00            | 0.50  | 0.60  | 156 | 791   |
| 75.00  | 0.88  | 0.00            | 0.85  | 0.90  | 59  | 704   |
| 77.50  | 1.40  | 0.00            | 1.35  | 1.45  | 53  | 2,083 |
| 80.00  | 2.20  | 0.00            | 2.20  | 2.20  | 175 | 1,199 |
| 82.50  | 3.30  | 0.85            | 3.20  | 3.40  | 34  | 103   |
| 85.00  | 4.75  | 3.35            | 4.70  | 4.80  | 13  | 33    |
| 87.50  | 6.60  | 5.85            | 6.50  | 6.70  | 0   | 250   |
| 90.00  | 8.70  | 8.35            | 8.60  | 8.80  | 0   | 18    |
| 95.00  | 13.35 | 13.35           | 12.30 | 14.40 | 0   | 0     |

**Kors trading @ \$81.64**

**11-14-13**

**31 days to expiration**

# Calculate Exercised & Unexercised Returns

| THE BCI SYSTEM PUT-SELLING CALCULATOR (ver. 1.0)  |                      |   |                      |
|---|----------------------|---|----------------------|
| TRADE DATE (mm/dd/yyyy)                           | <input type="text"/> | <input type="text" value="11/14/13"/>   | <input type="text"/> |
| STOCK SYMBOL                                      | <input type="text"/> | <input type="text" value="KORS"/>       | <input type="text"/> |
| CURRENT PRICE (\$)                                | <input type="text"/> | <input type="text" value="\$81.64"/>    | <input type="text"/> |
| EXPIRATION DATE (mm/dd/yyyy)                      | <input type="text"/> | <input type="text" value="12/15/13"/>   | <input type="text"/> |
| PUT STRIKE (\$)                                   | <input type="text"/> | <input type="text" value="\$80.00"/>    | <input type="text"/> |
| PUT PREMIUM (\$)                                  | <input type="text"/> | <input type="text" value="\$2.20"/>     | <input type="text"/> |
| TOTAL PREMIUM COLLECTED PER CONTRACT (\$)         | <input type="text"/> | <input type="text" value="\$220.00"/>   | <input type="text"/> |
| CASH REQUIRED PER CONTRACT (\$)                   | <input type="text"/> | <input type="text" value="\$7,780.00"/> | <input type="text"/> |
| RETURN ON OPTION (ROO %) IF UNEXERCISED           | <input type="text"/> | <input type="text" value="2.83%"/>      | <input type="text"/> |
| STOCK COST BASIS (IF EXERCISED) / BREAK-EVEN (\$) | <input type="text"/> | <input type="text" value="\$77.80"/>    | <input type="text"/> |
| PURCHASE DISCOUNT IF EXERCISED (%)                | <input type="text"/> | <input type="text" value="4.70%"/>      | <input type="text"/> |
| NUMBER OF DAYS IN THE TRADE                       | <input type="text"/> | <input type="text" value="31"/>         | <input type="text"/> |
| ANNUALIZED RETURN ON OPTION (ROO %)               | <input type="text"/> | <input type="text" value="33.29%"/>     | <input type="text"/> |

# Cash Allocation

|    |                 |                             |              |  |                     |  |                |             |
|----|-----------------|-----------------------------|--------------|--|---------------------|--|----------------|-------------|
| 1  |                 |                             |              |  |                     |  |                |             |
| 2  |                 | Calculating Cash Allocation |              |  |                     |  |                |             |
| 3  |                 |                             |              |  |                     |  |                |             |
| 4  | <u>SECURITY</u> |                             | <u>PRICE</u> |  | <u>Shares/\$10k</u> |  | <u>Rounded</u> | <u>COST</u> |
| 5  |                 |                             |              |  |                     |  | <u>Off</u>     |             |
| 6  |                 |                             |              |  |                     |  |                |             |
| 7  | XLI             |                             | \$32.62      |  | 306                 |  | 300            | \$9,786     |
| 8  |                 |                             |              |  |                     |  |                |             |
| 9  | XLY             |                             | \$34.83      |  | 287                 |  | 300            | \$10,449    |
| 10 |                 |                             |              |  |                     |  |                |             |
| 11 | XLF             |                             | \$16.98      |  | 588                 |  | 600            | \$10,188    |
| 12 |                 |                             |              |  |                     |  |                |             |
| 13 | XLP             |                             | \$28.03      |  | 356                 |  | 300            | \$8,409     |
| 14 |                 |                             |              |  |                     |  |                |             |
| 15 | QQQ             |                             | \$50.13      |  | 199                 |  | 200            | \$10,006    |
| 16 |                 |                             |              |  |                     |  |                |             |
| 17 |                 |                             |              |  |                     |  |                |             |

# Executing Trades: Online Discount Broker

**Virtual Option Order Preview**

Please Review Your Virtual Order Carefully

| Symbol          | Description  | Last  | Change | Bid   | Ask   | Volume     |
|-----------------|--------------|-------|--------|-------|-------|------------|
| FB              | FACEBOOK INC | 59.01 | 0.12 ▲ | 59.00 | 59.01 | 95,260,261 |
| FB May14 55 Put | FACEBOOK INC | 2.00  | 0.11 ▲ | 2.50  | 2.60  | 3,602      |

| Action       | Qty | Symbol          | Description  | Contract Size | Price      | Duration  | All or None |
|--------------|-----|-----------------|--------------|---------------|------------|-----------|-------------|
| Sell To Open | 1   | FB May14 55 Put | FACEBOOK INC | 100           | Limit 2.55 | Day Order | Off         |

|                       |               |
|-----------------------|---------------|
| Estimated Commission  | \$14.05       |
| Estimated Order Total | \$240.05      |
| Time                  | 3:15:14 PM ET |

This Preview is provided for your protection, so please review all order details carefully. Clicking the "Place Order >>>" button will transmit this order to the exchange marketplace for action.

Cancel

<< Change

----->

Place Order >>>



# Exit Strategies: Position Management

- Stock price declines  $> 3\%$  from strike
- Stock price accelerates dramatically
- Rolling options @ expiration
- Watch for earnings reports dates
- Consider time remaining until expiration
- **ALL EXIT STRATEGIES START WITH BUYING BACK THE OPTION**

# Free Information

- <http://www.thebluecollarinvestor.com>
- “Free Resources”- top black bar of web pages
- alan@thebluecollarinvestor.com

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The advertisement features a central portrait of Alan Ellman, a man with grey hair wearing a dark blue shirt. Surrounding him are various educational products. On the left, there are three DVD cases: 'COVERED CALL WRITING' (dark blue), 'EXIT STRATEGIES FOR COVERED CALL WRITING' (blue), and 'THE BLUE COLLAR INVESTOR PRESENTS COVERED CALL WRITING: BASIC, ADVANCED & PRACTICAL APPLICATIONS' (yellow and blue). In front of these are three DVD discs with similar designs. To the right of the DVD cases are three books: 'Exit Strategies for Covered Call Writing' by Alan Ellman (purple cover with a line graph), 'The Blue Collar Investor Presents: Alan Ellman's Complete Encyclopedia for Covered Call Writing' (blue cover with a line graph), and 'STOCK INVESTING FOR STUDENTS' (white cover with a group photo). A yellow card on the far left reads 'Gift Give The Gift Of Knowledge Of Knowledge Give The Gift'. A speech bubble above Alan Ellman says 'YOU CAN DO IT!'. The background is a bright yellow gradient.





Alan Ellman's  
**SELLING CASH-SECURED PUTS**


INVESTING TO GENERATE MONTHLY CASH FLOW



**USING STOCKS AND STOCK OPTIONS TO DEVELOP A  
LOW-RISK, WEALTH-BUILDING STRATEGY FOR RETAIL INVESTORS**



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Each Month Thereafter: \$39.95

or

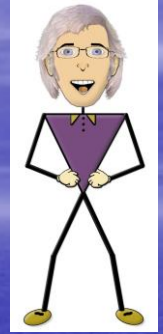
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Save Time

# Alan's Contact Information



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