

ByRDsSM Debit Spreads

Binary Return Derivatives Spreads offer the investor the possibility of limited profits with limited risk and present a unique challenge. Because the Maximum profit point for ByRDs, depending on whether the ByRD is a Finish High or a Finish Low, is either plus or minus \$0.01, they reach profitability more quickly than standard listed options. ByRD debit spreads are profitable when the underlying NYSE ByRD Settlement IndexSM remains between the strike prices. This means that ByRD spreads may be profitable if the underlying moves slightly in either direction. The challenge is two Maximum profit points and the possibility of losses occurring if the underlyingSM should move below the low strike price or above the high strike price.

Finish High ByRD

- At expiration, the holder of a Finish High ByRD will automatically receive \$100.00 per contract if the Finish High ByRD finishes in-the-money.
- At expiration, the writer of a Finish High ByRD will automatically be debited \$100.00 per contract if the Finish High ByRD finishes in-the-money.
- For a Finish High ByRD to be in-the-money, the expiration Friday NYSE ByRD Settlement IndexSM must be above the strike price. For example, if the all day expiration Friday NYSE ByRD Settlement IndexSM was \$25.01 or higher, the \$25.00 strike price Finish High ByRD would be in-the-money.

Finish High ByRD Debit Spread

A Finish High ByRD Debit Spread involves buying a Finish High ByRD and selling a higher strike price Finish High ByRD expiring at the same time. For example, with the underlying stock trading at \$32.01 we could buy 1 Oct \$30.00 strike price Finish High ByRD for \$0.47 and sell 1 \$35.00 strike price Finish High ByRD at \$0.13 for a net debit of \$0.34 (\$0.47 - \$0.13) or \$34.00 per spread.

Two Maximum Profit Points

The maximum profit point for the long low strike price Finish High ByRD is \$30.01 (\$30.00 strike price + \$0.01). If the underlying NYSE ByRD Settlement IndexSM closes at \$30.01 or higher at expiration, the Finish High ByRD will pay the holder \$100.00.

The breakeven for the short higher strike price Finish High ByRD is \$35.01 (\$35.00 strike price + \$0.01). If the underlying NYSE ByRD Settlement IndexSM closes at \$35.01 or higher at expiration, the short position will be debited \$100.00.

Profits and Losses

If the underlying NYSE ByRD Settlement IndexSM closes below \$30.00 at expiration, both the long Finish High \$30.00 strike price ByRD and the short \$35.00 strike price Finish High ByRD would expire worthless resulting in a loss.

At expiration, if the underlying NYSE ByRD Settlement IndexSM closes above \$30.01 but below \$35.01, the long \$30.00 strike price Finish High ByRD would pay \$100.00 and the short \$35.00 strike price Finish High ByRD would expire worthless resulting in a profit.

If the underlying NYSE ByRD Settlement IndexSM closes above \$35.01 at expiration, the long \$30.00 Finish High ByRD would pay \$100.00 and the seller will be debited \$100.00 for the short Finish High \$35.00 strike price ByRD resulting in a loss.

The table below illustrates the profit and loss possibilities for both the Long Finish High ByRD and the Short Finish High ByRD and the combined ByRD spread. Notice that the spread is profitable between the strike prices. Even if the underlying NYSE ByRD Settlement IndexSM declined from \$32.01 down to \$30.01, the profit on the spread would be \$66.00 per contract. If the underlying NYSE ByRD Settlement IndexSM should rise to \$35.00, the profit would still be \$66.00. However, if the underlying NYSE ByRD Settlement IndexSM should move outside of the strike prices, either below \$30.00 or above \$35.00, a loss of \$34.00 will occur.

STOCK @ \$32.91

DEBIT SPREAD	Buy	1	Oct	\$30.00	FH	(\$0.47)			
	Sell	1	Oct	\$35.00	FH	\$0.13			
						(\$0.34)	Debit		(\$34.00)

At Expiration						Premium	FH Value	FH P/L	Net
Under \$30.01	Long	1	Oct	\$30.00	FH	(\$0.47)	\$0.00	(\$0.47)	(\$47.00)
	Short	1	Oct	\$35.00	FH	\$0.13	\$0.00	\$0.13	\$13.00
						(\$0.34)			(\$34.00)

\$30.01 - \$35.00	Long	1	Oct	\$30.00	FH	(\$0.47)	\$1.00	\$0.53	\$53.00
	Short	1	Oct	\$35.00	FH	\$0.13	\$0.00	\$0.13	\$13.00
						(\$0.34)			\$66.00

Over \$35.00	Long	1	Oct	\$30.00	FH	(\$0.47)	\$1.00	\$0.53	\$53.00
	Short	1	Oct	\$35.00	FH	\$0.13	(\$1.00)	(\$0.87)	(\$87.00)
						(\$0.34)			(\$34.00)

Finish Low ByRD

- At expiration, the holder of a Finish Low ByRD will automatically receive \$100.00 per contract if the Finish Low ByRD finishes in-the-money.
- At expiration, the writer of a Finish Low ByRD will automatically be debited \$100.00 per contract if the Finish Low FRO finishes in-the-money.
- For a Finish Low ByRD to be in-the-money the expiration Friday NYSE ByRD Settlement IndexSM must be below the strike price. For example, if the all day expiration Friday NYSE ByRD Settlement IndexSM was \$24.99 or lower, the \$25.00 strike price Finish Low ByRD would be in-the-money.

Finish Low ByRD Debit Spread

A Finish Low ByRD Debit Spread involves buying a Finish Low ByRD and selling a lower strike price Finish Low ByRD expiring at the same time. For example, with the underlying stock trading at \$32.01 we could buy 1 Oct \$35.00 strike price Finish Low ByRD for \$0.85 and sell 1 \$30.00 strike price Finish Low ByRD at \$0.51 for a net debit of \$0.34 or \$34.00 per spread.

Two Maximum Profit Points

The maximum profit point for the long low strike price Finish Low ByRD is \$29.99 (\$30.00 strike price - \$0.01). If the underlying NYSE ByRD Settlement IndexSM closes at \$29.99 or lower at expiration, the Finish Low ByRD will pay the holder \$100.00.

The maximum profit point for the short higher strike price Finish Low ByRD is \$34.99 (\$35.00 strike price - \$0.01). If the underlying NYSE ByRD Settlement IndexSM closes at \$34.99 or lower at expiration, the short position will be debited \$100.00.

Profits and Losses

If the underlying NYSE ByRD Settlement IndexSM closes above \$34.99 at expiration, both the short Finish Low \$35.00 strike price ByRD and the long \$30.00 strike price Finish Low ByRD would expire worthless resulting in a loss.

At expiration, if the underlying Amex ByRD Settlement IndexSM closes below \$35.00 but above \$29.99, the long \$35.00 strike price Finish Low ByRD would pay \$100.00 and the short \$30.00 strike price Finish High ByRD would expire worthless resulting in a profit.

If the underlying NYSE ByRD Settlement IndexSM closes below \$30.00 at expiration, the long \$35.00 Finish Low ByRD would pay \$100.00 and the seller will be debited \$100.00 for the short Finish Low \$30.00 strike price ByRD resulting in a loss.

The table below illustrates the profit and loss possibilities for both the Long Finish Low ByRD and the Short Finish Low ByRD and the combined ByRD spread. Notice that as long as the underlying NYSE ByRD Settlement IndexSM is between the strike prices this spread will be profitable. If the underlying NYSE ByRD Settlement IndexSM declined from \$32.01 to \$30.01, the profit on the spread would be \$66.00 per contract. If the underlying NYSE ByRD Settlement IndexSM should rise to \$35.00, the profit would still be \$66.00. However, if the underlying NYSE ByRD Settlement IndexSM should move outside of the strike prices, either below \$30.00 or above \$35.00, a loss of \$34.00 will occur.

STOCK @ \$32.91

DEBIT SPREAD									
	Buy	1	Oct	\$35.00	FL	(\$0.85)			
	Sell	1	Oct	\$30.00	FL	\$0.51			
						(\$0.34)	Debit		(\$34.00)
At Expiration									
						Premium	FL Value	FL P/L	Net
Under \$30.00	Long	1	Oct	\$35.00	FL	(\$0.85)	\$1.00	\$0.15	\$15.00
	Short	1	Oct	\$30.00	FL	\$0.51	(\$1.00)	(\$0.49)	(\$49.00)
						(\$0.34)			(\$34.00)
\$30.00 - \$34.99	Long	1	Oct	\$35.00	FL	(\$0.85)	\$1.00	\$0.15	\$15.00
	Short	1	Oct	\$30.00	FL	\$0.51	\$0.00	\$0.51	\$51.00
						(\$0.34)			\$66.00
Over \$34.99	Long	1	Oct	\$35.00	FL	(\$0.85)	\$0.00	(\$0.85)	(\$85.00)
	Short	1	Oct	\$30.00	FL	\$0.51	\$0.00	\$0.51	\$51.00
						(\$0.34)			(\$34.00)

Summary

ByRD debit spreads offer the investor the opportunity to profit from moderate moves in the underlying security with limited risk. ByRD debit spreads are profitable if the underlying NYSE ByRD Settlement IndexSM closes between the strike prices at expiration and losses occur if the underlying NYSE ByRD Settlement IndexSM closes either above the high strike price or below the low strike price at expiration.

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