Message-ID: <21790545.1075859880936.JavaMail.evans@thyme>

Date: Wed, 27 Jan 1999 08:03:00 -0800 (PST)

From: mark.taylor@enron.com

To: yao.apasu@enron.com, sara.shackleton@enron.com

Subject: Sunday - Option Investor Newsletter 6 of 6 (C.Calls/NkdPuts)

Mime-Version: 1.0

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X-From: Mark - ECT Legal Taylor

X-To: Yao Apasu, Sara Shackleton

X-cc:

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X-Folder: \Mark\_Taylor \_Dec\_2000\Notes Folders\All documents

X-Origin: Taylor-M

X-FileName: mtaylor.nsf

---------------------- Forwarded by Mark - ECT Legal Taylor/HOU/ECT on

01/27/99 04:03 PM ---------------------------

Enron Capital & Trade Resources Corp.

From: xtrials@optioninvestor.com (Option Investor Newsletter Trials)

01/24/99 06:38 AM

Please respond to xtrials@optioninvestor.com

To: Option Investor Newsletter Trials <xtrials@optioninvestor.com>

cc: (bcc: Mark - ECT Legal Taylor/HOU/ECT)

Subject: Sunday - Option Investor Newsletter 6 of 6 (C.Calls/NkdPuts)

The Option Investor Newsletter 1-24-98

Sunday 6 of 6

COVERED CALL SECTION FOR JANUARY 24, 1999

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

The Lesson Begins..

This week, we are going to begin a new educational series on basic

covered-call techniques. The first step is to explain our current

approach and the appropriate method for using this much maligned

strategy.

The objective of covered writing for most investors is increased

income though stock ownership. By definition, the ideal covered

call offers reduced risk and a good probability of making a profit.

In fact, our primary goal is to provide the subscriber with plays

that produce acceptable returns while still receiving an above

average amount of protection.

A mathematical basis...

The main factor that we focus on is called "return unchanged".

This is the return on investment that one would achieve if the

stock price were unchanged at option expiration. One can compare

potential plays more accurately using this approach since no

assumption is made about stock price movement. This method ignores

the relative price of the sold strike (ITM - OTM) and focuses

completely on the overall position.

A very simple concept...

With this conservative option writing strategy in mind, we look

for plays that return a minimum of 3%-5% per month and retain

downside protection of at least 10% (of the current stock price).

The overall position that is constructed using these guidelines

will be a relatively low risk play (regardless of the volatility

of the underlying stock) since the levels of protection will be

large and there is still the expectation of a reasonable return.

Other things to consider...

The amount of downside protection and the return on investment are

both very important considerations in determining which play to

choose but the technical and fundamental outlook of the underlying

stock must also be favorable.

The reason for ITM plays...

A minimally acceptable return is somewhat a matter of personal

preference but with the current market volatility, it would appear

that the advantages of the in-the-money position, (more consistent

profits and reduced risk) is more attractive to the majority of

our investors.

Next week, we'll discuss more covered-call strategies. Good Luck!

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SUMMARY OF PREVIOUS PICKS (4 weeks to February strike date)

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

Stock Price Last Mon Strike Opt Profit ROI Monthly

Sym Picked Price Price Bid /Loss ROI

TOK 9.75 10.25 Feb 10.00 1.63 \*$ 1.88 23.2% 14.4%

MCRE 5.38 8.88 Feb 5.00 1.25 \*$ 0.87 21.1% 13.1%

ARTT 7.38 9.38 Feb 7.50 1.13 \*$ 1.25 20.0% 12.4%

SPNSF 10.13 10.44 Feb 10.00 1.25 \*$ 1.12 12.6% 11.0%

ARTT 8.25 9.38 Feb 7.50 1.44 \*$ 0.69 10.1% 8.8%

BTIM 18.50 17.88 Feb 15.00 4.88 \*$ 1.38 10.1% 8.8%

MCHM 8.75 7.94 Feb 7.50 1.94 \*$ 0.69 10.1% 8.8%

BID 32.25 38.69 Feb 30.00 5.88 \*$ 3.63 13.8% 8.5%

PLCM 25.88 26.75 Feb 25.00 3.00 \*$ 2.12 9.3% 8.1%

DOSE 6.50 7.25 Feb 5.00 2.00 \*$ 0.50 11.1% 8.0%

SDTI 22.00 25.81 Feb 20.00 4.38 \*$ 2.38 13.5% 7.3%

NSTA 26.25 26.13 Feb 25.00 4.13 \*$ 2.88 13.0% 7.1%

PPOD 6.81 7.44 Feb 5.00 2.31 \*$ 0.50 11.1% 6.9%

ABTE 8.75 10.25 Feb 7.50 1.88 \*$ 0.63 9.2% 6.6%

INFS 11.38 10.13 Feb 10.00 2.06 \*$ 0.68 7.3% 6.3%

QNTM 26.88 24.81 Feb 25.00 3.75 $ 1.68 7.3% 6.3%

ITVU 24.50 18.00 Feb 17.50 8.13 \*$ 1.13 6.9% 6.0%

CHRX 21.38 20.50 Feb 20.00 3.13 \*$ 1.75 9.6% 6.0%

NEWZ 11.63 11.50 Feb 10.00 2.44 \*$ 0.81 8.8% 5.5%

BNYN 14.44 13.50 Feb 10.00 5.13 \*$ 0.69 7.4% 5.4%

GALTF 25.50 22.06 Feb 22.50 5.38 $ 1.94 9.6% 5.2%

ARTT 7.38 9.38 Feb 5.00 2.75 \*$ 0.37 8.0% 5.0%

PTVL 22.19 22.44 Feb 15.00 8.13 \*$ 0.94 6.7% 4.8%

PTVL 18.38 22.44 Feb 12.50 6.88 \*$ 1.00 8.7% 4.7%

MRVT 15.13 13.63 Feb 12.50 3.25 \*$ 0.62 5.2% 4.5%

OXHP 20.06 18.81 Feb 17.50 3.38 \*$ 0.82 4.9% 3.6%

OXHP 20.06 18.81 Feb 20.00 2.00 $ 0.75 4.2% 3.0%

SYMM 8.56 6.94 Feb 7.50 1.88 $ 0.26 3.9% 2.8%

MWY 10.88 9.00 Feb 10.00 1.50 $-0.38 -4.1% 0.0%

-ROI is equal to the profit (or loss) divided by the cost-basis.

Monthly ROI represents the return on a monthly basis.

Example: a 10% return in 20 days equals 15.2% ROI for a month).

-Margin is not used in any calculations.

-Profit/Loss Column: Asterisk indicates stock price above strike

price and should be called. Stock that will not be called is

assumed sold at current price (for tracking purposes).

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- LOSING PLAYS -

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

We suggest you consider closing the MWY position. Last week, the

stock price fell below technical support after the company said

its revenues and earnings in the second half of its fiscal year

will be below last year's results. The company was downgraded by

Hambrecht & Quist and Piper Jaffray to a "hold".

NEW PICKS

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Definitions:

OI - Open Interest

CB - Cost Basis (Prc pd - Prm rec'd = CB, the break-even point)

RC - Return Called

RNC - Return Not Called (Stock Price Unchanged)

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Sequenced by Company

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

Stock Price Mon Strike Option Opt Open Cost RC RNC

Sym Price Symbol Bid Intr Basis

CMTO 27.56 Feb 22.50 CQH BX 6.13 35 21.43 4.99% 4.99%

INFM 6.13 Feb 5.00 FWQ BA 1.56 180 4.57 9.41% 9.41%

INVX 18.38 Feb 17.50 IVQ BW 1.81 731 16.57 5.61% 5.61%

RDRT 18.31 Feb 17.50 RDQ BW 1.94 1198 16.37 6.90% 6.90%

RNWK 56.50 Feb 45.00 QRN BI 14.25 447 42.25 6.51% 6.51%

SCIO 10.25 Feb 7.50 JQS BU 3.38 763 6.87 9.17% 9.17%

SPNSF 10.44 Feb 10.00 QHH BB 1.56 546 8.88 12.61% 12.61%

SUGN 15.63 Feb 15.00 UGQ BC 1.81 188 13.82 8.54% 8.54%

XEIKY 27.50 Feb 25.00 QIY BE 3.50 158 24.00 4.17% 4.17%

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

Sequenced by Return Called

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

Stock Price Mon Strike Option Opt Open Cost RC RNC

Sym Price Symbol Bid Intr Basis

SPNSF 10.44 Feb 10.00 QHH BB 1.56 546 8.88 12.61% 12.61%

INFM 6.13 Feb 5.00 FWQ BA 1.56 180 4.57 9.41% 9.41%

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\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

Sequenced by Return Not Called

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

Stock Price Mon Strike Option Opt Open Cost RC RNC

Sym Price Symbol Bid Intr Basis

SAME AS ABOVE...ALL PLAYS THIS WEEK ARE "IN-THE-MONEY".

Company Descriptions

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

CMTO - Com21 Inc. $27.56 \*\*\* Hot Telecom Sector \*\*\*

Com21 produces modems, headends, and other equipment used by cable

communications operators to provide broadband access. Other items

include network management software and noise containment devices.

The company's "ComUNITY Access" allows cable operators to offer

multiple transmission rates to customers. The system also provides

high-speed Internet access to telecommuters, office/home users and

individuals and supports videoconferencing applications. Another

good earnings report on Thursday and a secondary stock offering of

3 mil shares. That includes 1 mil shares (no proceeds to CMTO) to

be sold by stockholders and the company will use the money for

general corporate purposes. The dilution is about -$1.18 per share.

Stage II climb with confirming technical indicators.

FEB 22.50 CQH-BX BID=6.13 OI=35 CB=21.43 RC=4.99% RNC=4.99%

Chart = http://quote.yahoo.com/q?s=CMTO&d=3m

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

INFM - Infinium Software, Inc. $6.13 \*\*\* Computer software \*\*\*

INFM develops/markets/supports business software applications for

the financial, human resource, and materials management functions

of organizations. Reported earnings Jan 21 and the current post-

earnings drop may offer an excellent buying opportunity. EPS was

flat but revenues increased over 20% for the 8th straight quarter.

Our cost basis is below support and buying pressure has increased

over the last three trading days.

FEB 5.00 FWQ-BA BID=1.56 OI=180 CB=4.57 RC=9.41% RNC=9.41%

Chart = http://quote.yahoo.com/q?s=INFM&d=3m

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

INVX - Innovex Inc. $18.38 \*\*\* Dividends! \*\*\*

INVX develops and manufactures lead wire assemblies for computer

disk drives. They also design/manufacture flexible circuits and

chemically machined electrical components for the medical/computer

and communications industry. Price of stock spiked after company

settled (undisclosed) with ex-director. Friday, INVX declared an

increase in its regular quarterly dividend to $.04 per share,

payable 2/24/99, to SOR as of 2/10. Stock has strong support at

the cost basis. Buying pressure is off the scale and short term

technicals recently exhibited a "buy" signal.

FEB 17.50 IVQ-BW BID=1.81 OI=731 CB=16.57 RC=5.61% RNC=5.61%

Chart = http://quote.yahoo.com/q?s=INVX&d=3m

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RDRT - Read-Rite Corp. $18.31 \*\*\* Technically Strong \*\*\*

Read-Rite Corporation designs, manufactures, and markets magnetic

recording heads for rigid disk drives. The tape always tells the

tale: RDRT posted $0.02 profit (analyst predicted $0.17 loss) on

Wed. The key will be if the cost cutting and increased production

will work next quarter as current revenues did fall. Technically,

a very bullish chart with resistance around $25.

FEB 17.50 RDQ-BW BID=1.94 OI=1198 CB=16.37 RC=6.90% RNC=6.90%

Chart = http://quote.yahoo.com/q?s=RDRT&d=3m

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

RNWK - RealNetworks, Inc. $56.50 \*\*\* Internet volatility \*\*\*

RNWK provides branded software products and services enabling the

delivery of streaming media content over the Internet. Caution:

earnings due Jan 27. Recently upgraded/coverage initiated, as

RNWK announced alliances with AtHome and Enron Network.

Question: At what price would you mind owning RNWK? We think

$42.25 isn't that bad, right there at support, and just before

earnings (post earnings dip?). If we don't get it, a 6.5% ROI for

trying seems like just compensation.

FEB 45.00 QRN-BI BID=14.25 OI=447 CB=42.25 RC=6.51% RNC=6.51%

Chart = http://quote.yahoo.com/q?s=RNWK&d=3m

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SCIO - Scios Inc. $10.25 \*\*\* Drug Research \*\*\*

SCIO is engaged in the discovery, development, manufacture and

commercialization of novel human therapeutics, primarily

focused on cardiorenal disorders and Alzheimer's disease.

Lilly and SCIO agreed to continue their alliance on Alzheimer

research. Excellent cost basis with room to climb as resistance

is around $12.50. Buying pressure increasing with volume surge

bodes well for continued upward momentum.

FEB 7.50 JQS-BU BID=3.38 OI=763 CB=6.87 RC=9.17% RNC=9.17%

Chart = http://quote.yahoo.com/q?s=SCIO&d=3m

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

SPNSF - Sapiens International $10.44 \*\*\* Recent New High \*\*\*

SPNSF develops, markets and supports enterprise-wide solutions

for the rapid development of scaleable mission-critical software

applications. See last weeks write up. Here it is again, same

price, same return, consolidating after attaining an all-time new

high on Tuesday. Does this pause offer another entry? Technical

health is still strong and actually improved slightly.

FEB 10.00 QHH-BB BID=1.56 OI=546 CB=8.88 RC=12.61% RNC=12.61%

Chart = http://quote.yahoo.com/q?s=SPNSF&d=3m

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SUGN - Sugen, Inc. $15.63 \*\*\* Bio-tech \*\*\*

SUGN, a biopharmaceutical company, discovers and develops small

molecule drugs which target specific cellular signal transduction

pathways. Jan 13, announced that it plans to accelerate the

development of its lead angiogenesis inhibitor, SU5416, moving

directly from Phase I and Phase I/II studies into Phase III

colorectal and lung studies, and a Phase II/III study in

AIDS-related Kaposi's sarcoma. Some signs of increased buying

pressure with a strong support area just above our cost basis.

FEB 15.00 UGQ-BC BID=1.81 OI=188 CB=13.82 RC=8.54% RNC=8.54%

Chart = http://quote.yahoo.com/q?s=SUGN&d=3m

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XEIKY - Xeikon N.V. $27.50 \*\*\* No News = New High? \*\*\*

Xeikon N.V. develops, produces and markets digital color printing

systems and related consumables. A Technical play based on buying

pressure reversal. BOP indicated max selling two weeks ago and

has now crossed above zero and is increasing - with no news? Hmmm.

Closed at a new high on Wednesday with good MS and volume.

FEB 25.00 QIY-BE BID=3.50 OI=158 CB=24.00 RC=4.17% RNC=4.17%

Chart = http://quote.yahoo.com/q?s=XEIKY&d=3m

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CALLS STRICTLY PERCENTAGE LIST

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This section is no longer mailed but is available in full on

the website - email format.

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NAKED PUT SECTION FOR JANUARY 24, 1999

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Recently, we have had many questions about the margin requirements

for various option strategies. These new-subscriber requests also

contain questions about the necessary trading levels, margin, ROI

and collateral calculations for naked puts. We will try to cover

those subjects in the next few weeks. We start with definitions:

Writing a naked put...

A put writer assumes the obligation to buy the underlying security

at a specific price for a premium. There are two reasons for this

commitment; an investor unwilling to purchase stock at the current

price might write put options, hoping to take a position, (acquire

the stock) at a lower price. Another successful outcome is to just

receive the "premium" income if the stock remains above the sold

strike price. If the stock price finishes below the sold strike,

the seller (or writer) of the put option is obligated to purchase

the underlying stock (100 shares/contract) at the exercise price.

When this occurs, the cost of the stock (or the break-even) will

be the exercise price less the premium. When the sold strike price

goes "in-the-money", an investor must be ready to buy the stock at

any time because option contracts can be exercised early. The put

seller may also close the position by simply "buying-back" the

sold (short) put option.

The cost basis is simply the strike price minus premium received.

We list the cost basis of each play reference "owning the stock";

if it is PUT to you...

The collateral (or equity) required to sell a naked put varies for

different brokers. One of the most common formulas used by online

brokerages (Etrade for example) is:

The greater of :

40% of the current price of the stock plus the premium received,

minus the difference between the cost of the stock and the strike

price;

-or-

20% of the current price of the stock plus the premium received.

As you go deeper out of the money (OTM) the 20% requirement will

take precedence.

ROI is simply the premium received divided by the collateral (or

equity) required to open the position...

Example:

XYZ = 20.00, strike = 10.00, premium = 0.25

40% rule = 0.4\*20 + 0.25 - ( 20-10) = -1.75

20% rule = 0.2\*20 + 0.25 = 4.25

ROI = 0.25/4.25 = 5.88%

Next week, we will discuss the requirements for trading naked puts.

Good Luck!

------------------------------------------------------------------

\*\*\* WARNING \*\*\*

Occasionally a company will experience catastrophic news causing

a severe drop in the stock price. This may cause a devastatingly

large loss which may wipe out all of your smaller gains. There is

one very important rule; Don't sell naked puts on stocks that you

don't want to own! It is also important that you consider using

trading STOPS on naked option positions to help limit losses when

the stock price drops.

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SUMMARY OF PREVIOUS PICKS

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

Stock Price Last Mon Strike Opt Profit ROI Monthly

Sym Picked Price Price Bid /Loss ROI

WAVO 9.44 8.88 Feb 7.50 0.63 \*$ 0.63 25.0% 21.7%

SRCM 19.75 20.88 Feb 15.00 1.06 \*$ 1.06 21.2% 18.4%

SMOD 25.38 22.31 Feb 22.50 1.63 $ 1.44 16.2% 14.1%

BNYN 14.44 13.50 Feb 10.00 0.69 \*$ 0.69 19.3% 14.0%

PTVL 22.50 22.44 Feb 15.00 0.81 \*$ 0.81 15.3% 13.3%

SPLN 31.13 32.25 Feb 22.50 1.00 \*$ 1.00 13.8% 12.0%

VIRS 14.13 14.13 Feb 10.00 0.38 \*$ 0.38 11.8% 10.3%

VIRS 14.63 14.13 Feb 10.00 0.44 \*$ 0.44 13.1% 9.5%

SCUR 26.00 26.50 Feb 20.00 0.56 \*$ 0.56 9.7% 8.4%

PCYC 25.38 21.75 Feb 20.00 0.63 \*$ 0.63 11.1% 8.0%

SDTI 27.63 25.81 Feb 17.50 0.56 \*$ 0.56 9.2% 8.0%

OXHP 20.06 18.81 Feb 17.50 0.63 \*$ 0.63 10.3% 7.5%

MUSE 29.38 27.69 Feb 17.50 0.63 \*$ 0.63 9.7% 7.0%

-ROI is equal to the profit (or loss) divided by the original

investment requirement (varies broker to broker).

-Monthly ROI represents the return on a monthly basis.

Example: a 10% return in 20 days equals 15.2% ROI for a month).

-Profit/Loss Column: Asterisk indicates stock price above strike

price and put option should expire - not be exercised. Stock

to be exercised assumed sold at current price.(for tracking)

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NEW PICKS

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Definitions:

OI - Open Interest

CB - Cost Basis (break-even point if put exercised)

ROI - Return On Investment

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Sequenced by Company

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Stock Price Mon Strike Option Opt Open Cost ROI Opt

Sym Price Symbol Bid Intr Basis Expired

CATP 25.00 Feb 20.00 TQP ND 0.44 32 19.56 8.09%

CDNW 23.75 Feb 15.00 NWQ NC 0.38 117 14.62 7.41%

CMTO 27.56 Feb 20.00 CQH ND 0.56 20 19.44 9.22%

PLCM 26.75 Feb 22.50 QHD NX 0.75 500 21.75 10.42%

POWI 31.75 Feb 25.00 QPW NE 0.44 30 24.56 6.48%

PTEK 11.19 Feb 7.50 TQO NU 0.31 3610 7.19 12.17%

RNBO 24.00 Feb 20.00 BQO ND 0.69 20 19.31 10.97%

VRIO 29.25 Feb 22.50 RLQ NX 0.94 67 21.56 13.84%

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Sequenced by Return on Investment

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Stock Price Mon Strike Option Opt Open Cost ROI Opt

Sym Price Symbol Bid Intr Basis Expired

VRIO 29.25 Feb 22.50 RLQ NX 0.94 67 21.56 13.84%

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Company Descriptions

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CATP - Cambridge Tech. Partners $25.00 \*\*\* Own this one! \*\*\*

CATP provides information technology consulting and software

development services. CATP's strength in developing innovative,

state-of-the-art electronic commerce solutions is widely known.

They recently won the 1998 "Outstanding Web Site" award from

Web Marketing Association. CTP also has a flourishing money

management & trading division and recently joined Persistence

Software to co-market high performance solutions to leading

financial institutions. Also some rumors of a takeover by CPWR

or IBM. The play is based on good technical support around $20.

FEB 20.00 TQP-ND BID=0.44 OI=32 CB=19.56 ROI=8.09%

Chart = http://quote.yahoo.com/q?s=CATP&d=3m

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

CDNW - CDNOW $23.75 \*\*\* Still an Internet favorite? \*\*\*

CDnow, #2 in online music retailing (behind Amazon.com) now lists

more than 300,000 items, mostly CDs (including obscure titles),

music videos, T-shirts, and movies on its website. It also posts

music reviews, offers about 325,000 sound samples, and enables

customers to create custom CDs through its supersonic BOOM unit.

It attracts customers through alliances with Internet portals

such as Yahoo!. Definitely an established Internet presence and

still acquiring N2K (NTKI). Now a rumor that the combined company

will be bought-out. Has traded above a 30 dma since November.

FEB 15.00 NWQ-NC BID=0.38 OI=117 CB=14.62 ROI=7.41%

Chart = http://quote.yahoo.com/q?s=CDNW&d=3m

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CMTO - Com21 Inc. $27.56 \*\*\* Hot Telecom Sector \*\*\*

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communications operators to provide broadband access. Other items

include network management software and noise containment devices.

The company's "ComUNITY Access" allows cable operators to offer

multiple transmission rates to customers. The system also provides

high-speed Internet access to telecommuters, office/home users and

individuals and supports videoconferencing applications. Another

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3 mil shares. That includes 1 mil shares (no proceeds to CMTO) to

be sold by stockholders and the company will use the money for

general corporate purposes. The dilution is about -$1.18 per share.

Stage II climb with confirming technical indicators.

FEB 20.00 CQH-ND BID=0.56 OI=20 CB=19.44 ROI=9.22%

Chart = http://quote.yahoo.com/q?s=CMTO&d=3m

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PLCM - Polycom $26.75 \*\*\* More Telecom \*\*\*

Polycom makes long-distance teleconferencing products for use on

regular telephone networks. Its ShowStation data-conferencing

system enables people in different locations to view and edit

documents on a simultaneous, interactive basis. Its SoundStation

audio-conferencing system, provides two-way voice communication

without typical speakerphone distortion. Subsidiary ViaVideo

Communications offers ViewStation, a Web-based videoconferencing

system that features a voice-tracking camera. Reported awesome

earnings last week, net revenues grew 140% for the year to over

$100 million. Technically, an outstanding chart with some recent

support around $21.

FEB 22.50 QHD-NX BID=0.75 OI=500 CB=21.75 ROI=10.42%

Chart = http://quote.yahoo.com/q?s=PLCM&d=3m

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POWI - Power Integrations Inc. $31.75 \*\*\* Target Buy-in \*\*\*

Power Integrations makes a device that cuts down on the energy

consumption of products that operate in an energy-consuming

standby mode when turned off by the user. Its TOPSwitch products

(about 95% of sales) also convert AC power from electricity lines

to DC power for use by appliances. These IC devices are used in

VCRs, personal/laptop computers, cell-phones and rechargeable

batteries. Just posted record earnings with net revenues up 30%.

Excellent BOP and volume on the earnings run, support at $24.

FEB 25.00 QPW-NE BID=0.44 OI=30 CB=24.56 ROI=6.48%

Chart = http://quote.yahoo.com/q?s=POWI&d=3m

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PTEK - Premiere Technologies $11.19 \*\*\* Internet IPO? \*\*\*

Premiere Technologies provides enhanced communications services.

PTEK services include 800-based services, voice messaging,

enhanced document distribution and conference calling. Recent

speculation and heavy option volume concerning some of the new

technology from the company. Some say it involves USA.net and the

ability to listen to your email messages and post email via voice

from any touch-tone telephone. Others are betting that ownership

of Usa.Net and Web.Md will benefit PTEK if they go public (IPO).

FEB 7.50 TQO-NU BID=0.31 OI=3610 CB=7.19 ROI=12.17%

Chart = http://quote.yahoo.com/q?s=PTEK&d=3m

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RNBO - Rainbow Tech $24.00 \*\*\* Data Encryption \*\*\*

Rainbow Technologies makes antipiracy products that prevent the

unauthorized use of software, and information security products

that protect the security of satellite and network communications.

The company's software protection products contain hardware and

software components that tells the program to search for the key.

Its information security products utilize encryption technology

and are used by the government, military, and private businesses.

A nice technical break-out on good volume puts this one in "Blue

Sky" territory. Should fill the gap but now has support at $20.

FEB 20.00 BQO-ND BID=0.69 OI=20 CB=19.31 ROI=10.97%

Chart = http://quote.yahoo.com/q?s=RNBO&d=3m

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VRIO - Verio Inc. $29.25 \*\*\* Internet Hosting \*\*\*

Verio is a national provider of Internet connectivity and enhanced

Internet services to small and medium sized businesses. Verio is

buying regional and local Internet service providers (ISPs) across

the US. It owns or has majority stakes in more than 35 business

oriented providers across the US. Verio is buying ISPs with large

dedicated accounts (accounts with direct lines to the provider)

and is marketing to business and institutional subscribers. The

firm's customers include General Electric and Microsoft. In early

January, Verio became the world's largest domain-based Web-site

hosting company.

FEB 22.50 RLQ-NX BID=0.94 OI=67 CB=21.56 ROI=13.84%

Chart = http://quote.yahoo.com/q?s=VRIO&d=3m

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See Disclaimer in Section One.

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