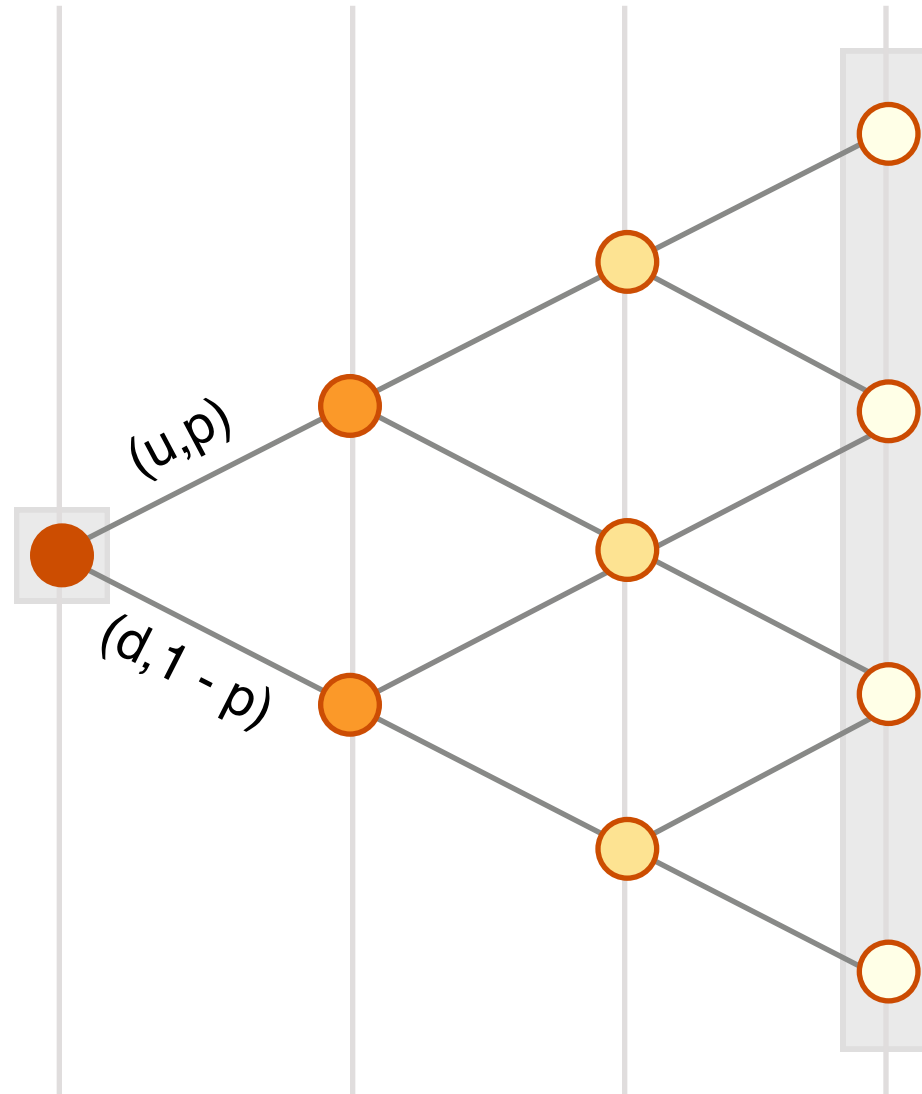


Uncertainty

High

Low

Intrinsic + extrinsic  
value



$(u, p)$

$(d, 1 - p)$

Intrinsic value only

$T = 0$  (now)

$T = 1$

$T = 3$

$T = 4$  (expiration)