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**From:** jeffrey E. <jeevacation@gmail.com>  
**Sent:** Friday, September 12, 2014 9:34 PM  
**To:** Steven Sinofsky  
**Subject:** Re: MSFT risk reduction

dumb, lets talk over the weekend

On Fri, Sep 12, 2014 =t 4:23 PM, Steven Sinofsky <[REDACTED]> wrote:

What do you think of=this approach? 547,515 shares with a cost basis of about 27.50 averaged  
=div>

----- Forw=rded message -----

From: Goodsneed, Matthew X <[REDACTED]>

<[REDACTED]> Date: Fri, Sep 12, 2014 at 12:12 PM

Subject: MSFT risk reduction<=r>To: Steven Sinofsky <[REDACTED]>

Cc: "Irwin, Don X" <[REDACTED]>, "Dunn, Ashley P" <[REDACTED]>

We investigated quite a few strategies for h=dging your MSFT position given your input/preferences. These strategies included (but were not limited to) the following:

#### Long Put

A 1 year put option (90% of spot price) cost=about 5.8% out of pocket and a 1 year option 80% of spot still required ar=und 3.15%. This seemed expensive to us so we looked for ways to cheapen the cost.

#### Put Spread Collar

Selling a 110% call option to help finance a=90% put option results in a more amenable 2.45% out of pocket cost. =f you were to sell a put to help fully offset the cost of purchasing the 90% put, =he put strike would have to be set at 83%. That limits the total dow=side protection to only 7% while fully capping upside after 110%. Ag=in, this tradeoff seemed less than amenable.

## Laddered Strategy

After pricing other "options =9D, we developed the following strategy that we recommend you consider. An=illustration of this recommendation has been attached above:

- \* Collar 25% of the MSFT position for 1 y=ar by selling a 105% call to finance a 90% put – cost is approxima=e=ly 1.3% of notional (or \$79,598)
- \* Collar 25% of the MSFT position for 1 y=ar by selling a 110% call to finance a 90% put – cost is approxima=e=ly 2.45% of notional (or \$150,012)
- \* Collar 25% of the MSFT position for 1 y=ar by selling a 115% call to finance an 85% put – cost is approxim=ately 2.25% of notional (or 137,767)
- \* Write actively-managed covered calls on=25% of the position leaving upside (and downside) uncapped (and unhedged) =E2 anticipated net premiums assuming no change in stock price of 1.94% or \$118,302.=Please see the second attachment for details.

Using the above laddered strategy as our rec=mmended baseline approach, we would welcome any thoughts/feedback. W= can then incorporate this feedback to further refine our strategy and recommendations. As always, don't he=itate to call/e-mail with any questions!

Best,

--goodspeed

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=C2 please note

The information co=tained in this communication is confidential, may be attorney-client pr=vileged, may constitute inside information, and is intended only for

JEE

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