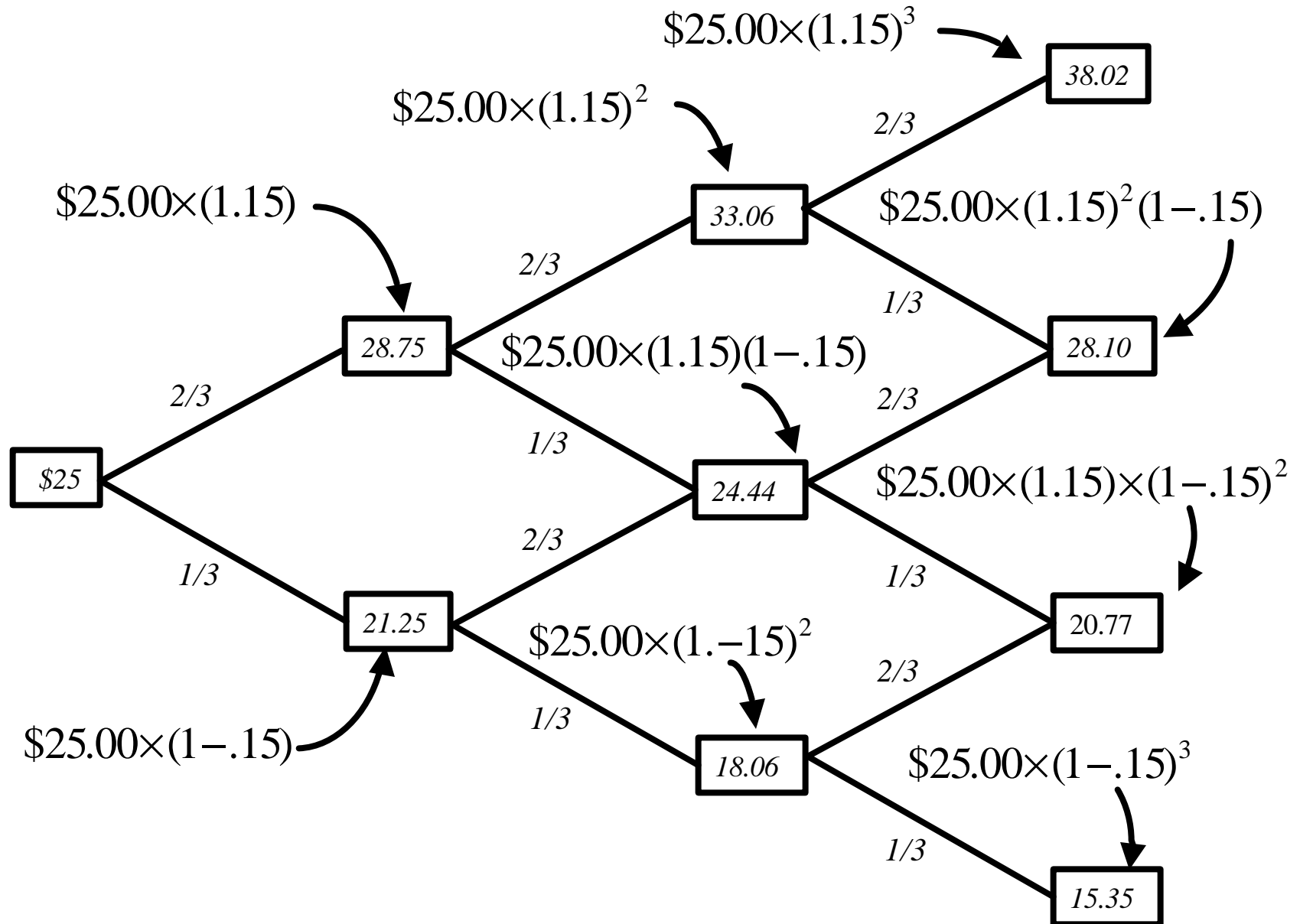


Three Period Binomial Process: Stock Prices



Three Period Binomial Process: Call Option Prices

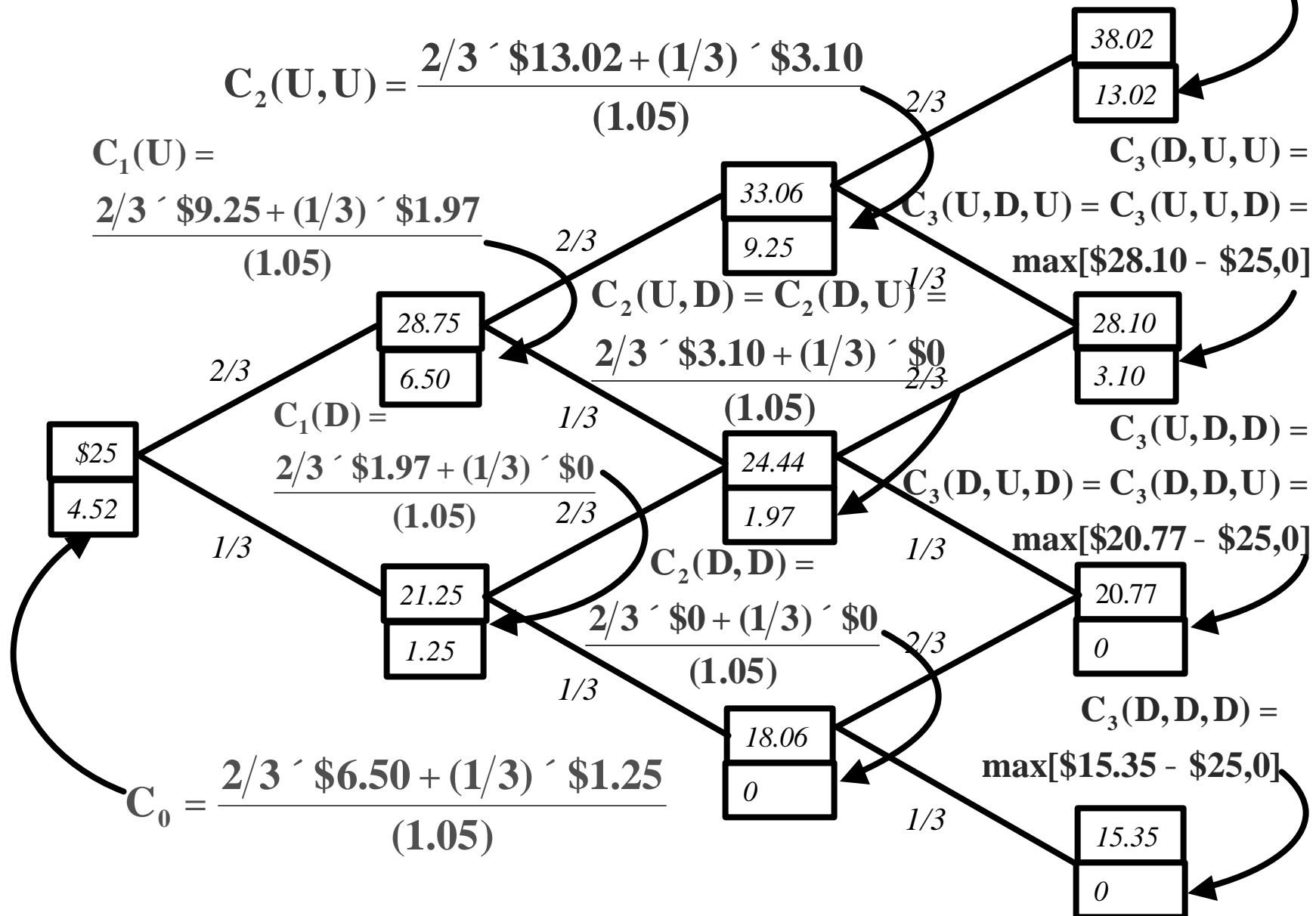
$$C_3(U,U,U) = \max[\$38.02 - \$25, 0]$$

$$C_2(U,U) = \frac{\frac{2}{3} \cdot \$13.02 + (\frac{1}{3}) \cdot \$3.10}{(1.05)}$$

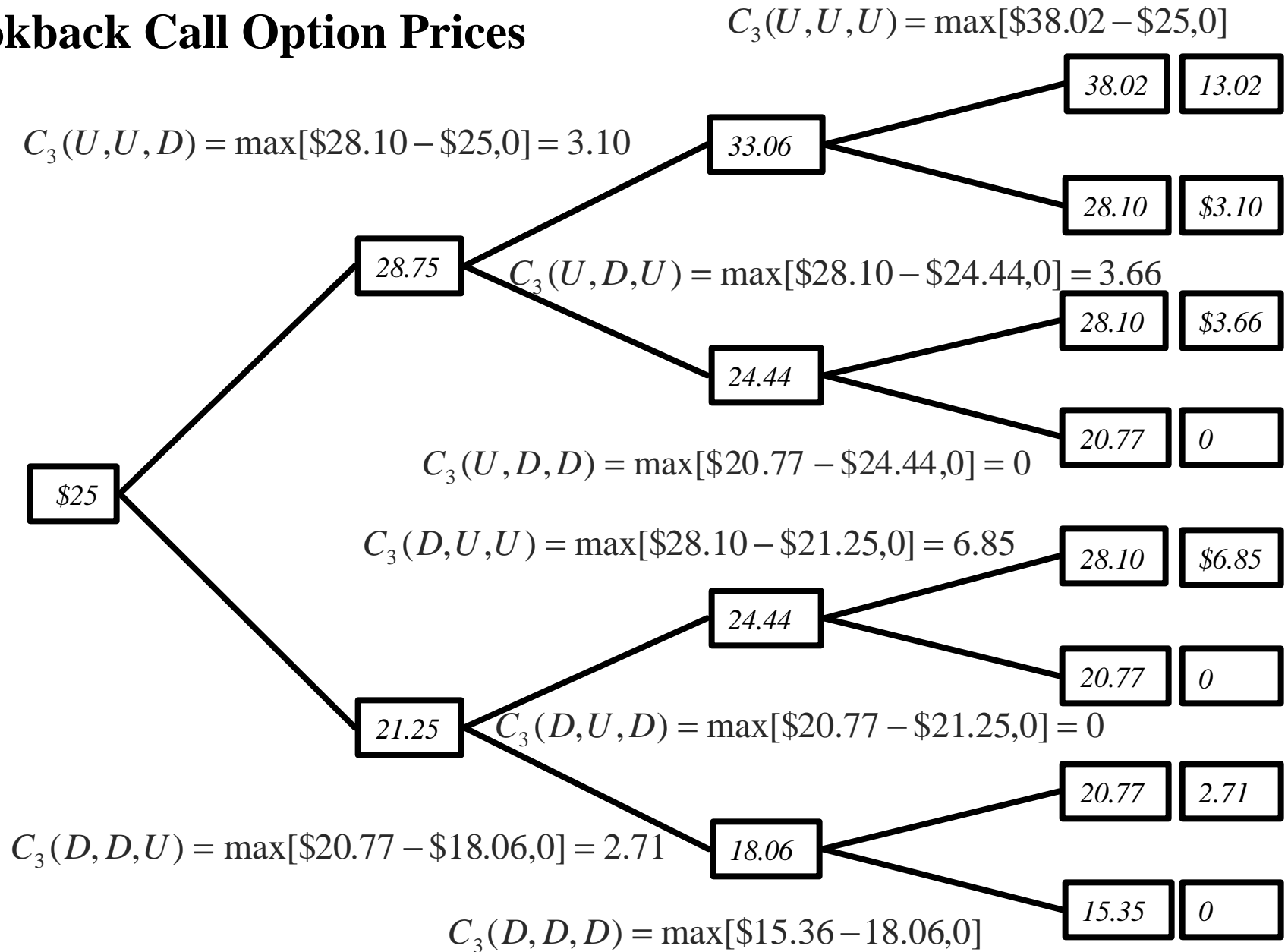
$$C_1(U) = \frac{\frac{2}{3} \cdot \$9.25 + (\frac{1}{3}) \cdot \$1.97}{(1.05)}$$

$$C_1(D) = \frac{\frac{2}{3} \cdot \$1.97 + (\frac{1}{3}) \cdot \$0}{(1.05)}$$

$$C_0 = \frac{\frac{2}{3} \cdot \$6.50 + (\frac{1}{3}) \cdot \$1.25}{(1.05)}$$



Three Period Binomial Process: Lookback Call Option Prices



Three Period Binomial Process: Lookback Call Option Prices

