

How to Transmogrify a Position with CoPilot

Occasionally, it may become difficult or impossible to continue using the Snider Investment Method with a position. Stock splits, mergers and acquisitions, or drastic changes in option volume are a few of the things that may create this situation.

When this occurs, you may need to transmogrify your position.

Transmogrification is a process where you sell your old stock and buy a new stock with a similar cost basis to create an equivalent position so you can continue to use the Snider Method.

This document covers the steps to transmogrify.

Step #1 – Sell the Position

1. The first step is to sell all the shares you own of the stock that needs to be transmogrified. We will refer to this stock as the “old stock.” Before you sell your shares, you must make sure there are no outstanding option contracts.

Step #2 – Determine Monthly Purchase Level for New Stock

You must determine some key pieces of information before you get a replacement stock.

1. You must determine how many shares per month you will buy of the new stock. In some cases, you will buy the same number of shares of the new stock as you did of the old stock. There are other situations where you may buy more or fewer shares. Each situation is different, particularly when it comes to acquisitions. But there are a few general guidelines:
 - If there is a stock split, your new Monthly Purchase Level should be the same as your Level before the split. For example, if you were buying 200 shares a month before the split, you should buy 200 shares a month of your new stock.
 - If the stock has been acquired and you were given shares of a new company in exchange for shares of your original stock, you should get back to your original number of shares. For example, if you were buying 100 shares of XYZ each month and then JAM acquires XYZ and gives you

115 shares of JAM for each of your 100 shares of XYZ – you should buy 100 shares a month of your new stock.

- If your stock price is below \$30 and you are buying more than 100 shares a month, you should use this opportunity to move to a more expensive stock. For example, if you are buying 200 shares a month of a \$22 stock, look at buying 100 shares a month of a stock priced near \$44.

Use the tables below to record the Monthly Purchase Level of your old stock and how many shares you will buy of a new, different stock:

Purchase Level of Old Stock	Purchase Level of New Stock

Step #3 – Determine Price Range

1. Next, determine the price range by calculating a Lower Limit and Upper Limit for the price of the new stock. To do this, you must know your Monthly Extended Amount. Use the *actual price* you were paid for your old shares as the Price of Old Stock.

Price of Old Stock		Purchase Level of Old Stock		Monthly Extended Amount
	X		=	

2. You can now calculate a Lower Limit and Upper Limit for the new stock. Take the Monthly Extended Amount, divide by the Monthly Purchase Level of New Stock, and add/subtract a \$3.00 spread around this price. The Lower Limit and Upper Limit do not have to be above \$25.00.

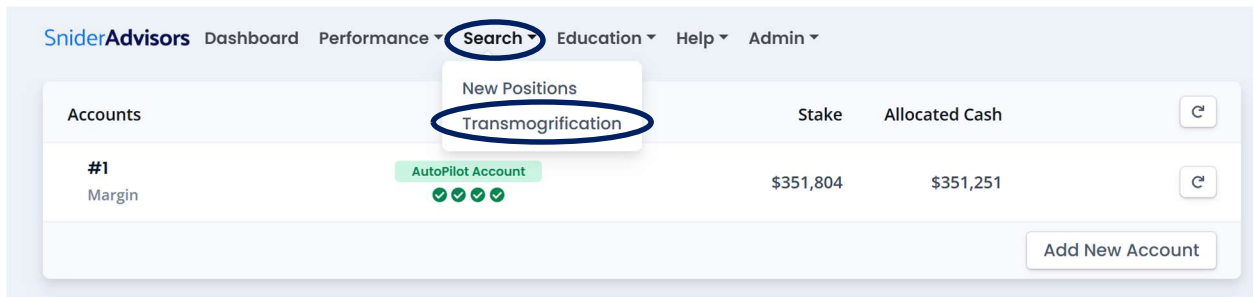
Monthly Extended Amount		Purchase Level New Stock		Spread		Lower Limit
	÷		-	\$3.00	=	

Monthly Extended Amount		Purchase Level New Stock		Spread		Upper Limit
	÷		+	\$3.00	=	

Step #4 – Find New Stock

You can now go to SIM Hub to find your new stock.

1. After you login to SIM Hub, hover your mouse over the **Search** link at the top of the screen and then select **Transmogrification** from the dropdown menu.



2. Your page will reload and you should see the **Transmogrification Criteria** page.
 - Enter the Lower Limit into the Stock Price **Greater Than** field.
 - Enter the Upper Limit into the **Less Than** field.

Click the green **Continue** button to get your stock selection. If you don't get a search result, go back to Step #3.2 and increase the Lower and Upper Limit spread to \$4, then \$5, etc. until you get a stock.

 A screenshot of the 'Transmogrification Criteria' form. The form contains several input fields with default values: Option Expiration Timeframe (April, 2025), Number of Strikes Out-Of-The-Money (1), Option Volume Today Greater Than (5), Open Interest Greater Than (100), Zeta Score Greater Than (1.8), SIM Score (1 - 3), Sort Results By (3), Stock Price Greater Than (empty), and * Less Than (empty). A blue bracket is drawn around the 'Stock Price Greater Than' and '* Less Than' fields. A blue arrow points from the bottom right towards the 'Continue' button at the bottom of the form.

- The search result will return one stock. If you already own the stock in any Snider Method account, click the Remove button to get a new stock. You can click the Restore button to return to the original stock pick.

If your new Monthly Purchase Level will be more than 100 shares, make sure the Open Interest is at least 500.

Total Stocks: 1

Data Received 12:33:43 PM on Thursday March 20, 2025

X	Stock	Company Name	Stock Price	Change	Open Int	Opt Volume	Implied Volatility
<input type="checkbox"/>	SJS		29.12	-0.14	2540	0	0%

Remove

Restore

Stock data is delayed 20 minutes while the market is open.

Data outside the normal market hours of 9:30 AM to 4:00 PM EST will be stale and should not be used for decision making purposes.

Step #5 – Buy the New Stock

- At your brokerage firm, you will now buy new shares to replace your old shares. In most situations, you will buy the exact same number of shares you sold. For example, if you sold 1,000 shares of the old stock, you will most likely buy 1,000 shares of the new stock.

However, if you have received a different number of shares as a result of a stock split, merger, or acquisition or if you are reducing your Monthly Purchase Level, the number of shares you will buy is your new Monthly Purchase Level times the number of purchases you had of the old stock. For example, if you had previously bought 200 shares a month of the old stock and had a total of 1,600 shares (i.e. 8 purchases), but you want to make the Monthly Purchase Level of the new stock 100, you will buy 800 shares (100 times 8 purchases).

Step #6 – Calculate Price History Adjustment

- Calculate the Old Monthly Extended Amount. The Price of Old Stock is the price you were paid for your old shares. This number should be the same as the price you used in Step #3.1.

Purchase Level Old Stock		Price Old Stock		Old Monthly Ext. Amount
	x		=	

Calculate the New Monthly Extended Amount. The price you paid for your new shares is the Price of New Stock. You can find this information in the Activity screen at your online brokerage account.

Purchase Level New Stock		Price New Stock		New Monthly Ext. Amount
	x		=	

- Use the Old Monthly Extended Amount and the New Monthly Extended Amount to calculate the Price History Adjustment.

New Monthly Ext. Amount		Old Monthly Ext. Amount		Price History Adjustment
	-		=	

- You will now calculate your New Extended Amount. Enter the Price History Adjustment in the first column in the worksheet below. Use the Extended Amounts from your *original* Individual Stock Purchase Record to complete the Old Extended Amount column.

Price History Adjustment		Old Extended Amount		New Extended Amount
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	

Step #7 – Create New Worksheets

- You will now create an Individual Stock Purchase Record for your new stock.
 - The Date Started should be the same as your original Individual Stock Purchase Record.
 - Copy the Extended Amount for each line from the Price History Adjustment Worksheet above.
 - Divide the Extended Amount by your new Monthly Purchase Level to get the Price Paid.
 - Record the number of shares you own in the Total Shares column.
 - Calculate and transfer the total Option Income, Stock Profit, and Commissions from the original Individual Stock Purchase Record.

INDIVIDUAL STOCK PURCHASE RECORD

Stock Symbol: NEW STOCK

Purchase Level: NEW LEVEL

Month	Price Paid	Extended Amount	Total Ext. Amount	Total Shares	Average Cost	Option Income	Stock Profit	Comm.	Div.
Totals:									

- Use the Price Paid column on your new Individual Stock Purchase Record to create a new **Band Rule Worksheet**.

BAND RULE WORKSHEET

Stock Symbol: NEW STOCK

Band	Lower Limit	Upper Limit	First Purchase	Second Purchase	Third Purchase
1					
2					
3					

Step #8 – Sell Options

1. If you do not already own 10 times your new Monthly Purchase Level, you will see if you can sell a put to acquire the shares you could buy this month.
 - The strike price of the put will be the Upper Limit of the Lower Band. The Lower Band is immediately below the Current Band. (The Current Band is determined by the price the stock is currently trading). For example, if the stock is currently trading in the \$30.01-\$35.00 Band, then you will sell the put at a strike price of \$30.

Before you sell the put, make sure that shares assigned at this strike price would not cause you to violate the Band Rule.

 - The number of puts you will sell is your new Monthly Purchase Level divided by 100.
2. Regardless of whether you sell a put, you will look to see if you can sell covered calls against your shares. You will use your newly calculated Average Cost. If you are Bundling, you will use the purchase prices from your new Individual Stock Purchase Record.

Step #9 – Update Worksheets

1. Make sure to record any Option Income and Commissions on your Individual Stock Purchase Record.

At this point, you have transmogrified your position and should continue to apply the rules of the Snider Investment Method to the new stock.

One Final Word of Caution...

You may remember the comic strip Calvin & Hobbes. The title characters were a small boy with an overactive imagination and his stuffed tiger, which was a real tiger in Calvin's world. Calvin had a cardboard box with buttons and dials drawn on it called the Transmogrifier. This device could turn an object into something else. Calvin often got into trouble using the Transmogrifier (actually, Calvin usually got into trouble whether he used the Transmogrifier or not.)

This technique shouldn't be used to get rid of a stock you don't like or one you think is going to go down in price. Transmogrification should only be used to replace stocks whose options no longer work with the Snider Method because of stock splits, acquisitions, or drastic decreases in option volume.

DISCLAIMER

The intent of this presentation is to help expand your financial education. Although the information included may be relevant to your particular situation, it's not meant to be personalized advice. When it comes to investing, insurance, and financial planning, it's important to speak to a professional and get advice that is tailored to your unique, individual situation. All investments involve risk including possible loss of principal. Please see our Performance Discussion and Owner's Manual; they are an important part of this discussion.

Options involve risks and are not suitable for all investors. Before opening an option position, a person must receive a copy of Characteristics and Risks of Standardized Options. Copies of this document are available by calling 888-6SNIDER. Please read it carefully before investing.

Transmogrification Worksheets

Determine new Monthly Purchase Level.

Purchase Level of Old Stock	Purchase Level of New Stock

Determine Upper and Lower Price Limits

Price of Old Stock		Purchase Level of Old Stock		Monthly Extended Amount
	X		=	

Monthly Extended Amount		Purchase Level New Stock		Spread		Lower Limit
	÷		-	\$3.00	=	

Monthly Extended Amount		Purchase Level New Stock		Spread		Upper Limit
	÷		+	\$3.00	=	

Calculate Price History Adjustment

Purchase Level Old Stock		Price Old Stock		Old Monthly Ext. Amount
	X		=	

Purchase Level New Stock		Price New Stock		New Monthly Ext. Amount
	X		=	

New Monthly Ext. Amount		Old Monthly Ext. Amount		Price History Adjustment
	-		=	

Calculate new Extended Amount

Price History Adjustment		Old Extended Amount		New Extended Amount
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	
	+		=	