1. Suppose in the situation of Example 1 in Lecture 2 (see notes) that the option sells for 1.376 at time zero. Suppose the sequence of first two coin tosses is $HH$, try to construct a portfolio with 1.376 at time zero, so that it can replicate the payoff of the option at time three on matter what the last coin toss is.

2. Page 58 of the textbook, exercise 2.10 (i) and (iii).