Laddonia

PREMIUM PLUS

What is a premium plus contract?

The **POET Premium Plus contract** is a mutli-component contract that puts a premium on your cash price.

A call is sold at a specific strike price for a spefici trading period and that premium is what is added to your cash price. If on the **expiration date** associated with the call, the futures price closes at or above the strike price you would then owe a second obligation plus or minus our basis in the call option months.

Advantages:

- **Good option if you think the market is headed sideways or downward**
- **Take your premium upfront, it never goes away**
- **If futures price is below the strike price on the expiration date then there is no additional bushels required to be delivered on.**

Disadvantages:

- **There is a possible double obligation tied to this contract**
- **Unknown if you owe the bushels until expiration date. Basis can only be set once you know if strike price has been set on the expiration day.**
- **5000 increment bushels**

How it works:

Part #1 Selling 5000bu delivered in Septemeber

Dec Futures:	$6.92
Basis:	+.05
Cash Price:	$6.97
Selling a $7.40 Dec Call @ .29 premium	+ .29
Final Price	7.26/ bu paid out in September after delivery

Once the contract is established, two different scenarios could play out

Part #2

Scenario #1:

Strike Price: $7.40

Expiration Date: 11/25

On 11/25, Dec futures close at $7.50. You now owe another 5000 bushels.

A new contract will be established with a set $7.40 (your strike price) . This is a futures contract now and a basis will need to be set still for a delivery month.

Scenario #2

Strike Price: $7.40

Expiration Date: 11/25

Dec futures are $7.05 on the close on Nov 25, now you owe nothing and the double obligation commitment is over.

Keys to Remember:

- If the Dec futures are $7.50 at the close on the Nov 25th strike date, **the like amount of bushels is still owed at the locked $7.40 futures plus or minus a current basis.**
- You are looking for this to happen on one date, and one date **ONLY**—The option expiation date. That date is the only date that matters for your second obligation.
- The premium gained on this contract given upfront is NEVER taken away,
- Can be added to any existing or new contracted bushels
- Variety of option month with calls and strike prices are available at your choosing.

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