Memorandum of Understanding

This Memorandum of Understanding (MOU) is between:
Producer: ____
Commodity Broker: ____
Merchandiser: ____
Agriculture Lender: ____

This Memorandum of Understanding (MOU) sets for the terms and conditions between the parties to properly utilize Option Advantage.

Background

Option Advantage is an easy-to-use TOOL that allows the user to enter volatile commodity markets and reduce unlimited exposure, at an affordable price. Option Advantage is accessed through the myoptionadvantage.com website.

Purpose

The purpose of this MOU is to designate the best practices and responsibilities between parties to ensure the appropriate use of Option Advantage. The best practices abide by proven procedures as being the most effective in achieving the results. These procedures or standards are designed to comply with legal and ethical requirements.

Role and Responsibilities

The results will be accomplished by undertaking the following activities:

- The Producer - will use Option Advantage as a tool in an integrated risk management program; follow the steps outlined in the Options Advantage Tutorial; determine when they are going to sell the cash side; make an advance commitment to a cash sale and spell out the offer in a Purchase Agreement with the Merchandiser.

- The Commodity Broker –will execute orders to buy or sell commodity contracts on behalf of producer; follow the marketing plan developed by the producer and place Blend Orders based on the producer's price objective.

- The Merchandiser – will make an advance commitment for the purchase of grain spelled out in a Purchase Agreement with the Producer.
- The Agriculture Lender – will support the producer's risk management strategy through the use of Option Advantage.

Best Practices

The parties of this MOU agree to implement the following practices and procedures prescribed in the Option Advantage Tutorial.

The Producer Agrees to:

Follow the steps outlined in the Option Advantage Tutorial.

Execute a Purchase Agreement with the Merchandiser for the cash sale of grain that includes a price objective, the amount of grain to sell and a sale date.

Using Option Advantage, select a Blend Order based on your price objective. Choose an Entry Price that correlates with your desired market price, such as your breakeven price.

Complete the first step in the Option Advantage Tutorial to select an Entry Price or range with its corresponding Cost or Credit. In the second step access the formula tied to your selection by clicking “Get Blend Order”. Enter the Blend Order CALL and PUT formulas including the Cost or Credit limit price into your order-entry system or call your broker to submit the order.

When the Blend Order is filled, place an Open Order (GTC) to lift the short (sold) PUT and short (sold) CALL.

- Close (buy) the sold option at ______ percent of the original strike price.

Immediately, when the sold option is closed, place an Open Order (GTC) to:

- Close (sell) the bought option at ______ percent of the original strike price.

If the market moves down, Sell the bought PUT and Close the sold CALL at a gain.

If the market moves up, Sell the bought CALL; and Close the sold PUT at a gain.

If the market is flat, allow the options to expire worthless

The Broker Agrees to:

Select a Blend Order based on the producer’s price objective, such as the breakeven price. Place the Blend Order on behalf of the producer.

Place an Order Send Order (OSO) to the market once a trade entry is filled to Exit (Close) Positions. The OSO is based on the following:

After the Blend Order is filled and confirmed, immediately place an open order (GTC –Good Til Cancel) to close (buy) the sold option at ________ percent of the original Strike Price.

Immediately, when the sold option is closed, place an open order (GTC) to close (sell) the bought option at _______ percent of the original Strike Price.

Once the Grain is sold, close out the bought option (either CALL or PUT) that is still open.

Example of Pricing:

- Strike Price - $3.70
- Price for GTC orders to close sold PUT and CALL options - $0.037 ($3.70 x 1 percent)
- Price for GTC orders to sell bought PUT and CALL options - $0.37 ($ 3.70 x 10 percent)

The Merchandiser Agrees to:

Execute a cash grain contract with the producer that includes a price objective, the amount of grain to purchase and a sale date.

The Lender Agrees to:

Work with the producer to manage risk in a volatile commodity market and support the producer's marketing strategy with assurance that the producer and broker are following best practices in using Option Advantage.

Designated Lead

The Producer is the designated lead and is responsible for coordinating the activities of the parties named in this MOU.

Confidentiality

All parties to the Memorandum of Understanding agree to adhere to confidentiality expectations.

General Terms and Conditions

The term of this MOU is for a period of 12 months from the effective date of this agreement and may be extended upon written mutual agreement. It shall be reviewed at least annually to ensure that it is fulfilling its purpose and to make any necessary revisions.

This Memorandum of Understanding is the complete agreement between the parties and may be amended only by written agreement signed by each of the parties involved.

Either party may terminate this MOU upon thirty (30) days written notice without penalties or liabilities.

Disclaimer:

The trading of derivatives such as futures and options may not be suitable for all investors. Derivatives trading involves substantial risk of loss, and you should fully understand those risks prior to trading.

Funding

This MOU is not a commitment of funds. Each party of the MOU is responsible for its own expenses related to this MOU.

Authorization

The signing of this MOU implies that the signatories will follow the procedures stated in this MOU.

Signatures:

____	_________________________
Signature and Phone Number, Producer	Date
____	_________________________
Signature and Phone Number, Broker	Date
____	_________________________
Signature and Phone Number, Grain Merchant	Date
____	_________________________
Signature and Phone Number, Agriculture Lender	Date

By registering with Option Advantage, you agree to the following terms of use:

Waiver/Release of Liability

Users/Purchasers warrant that they are 18 years of age and have the capacity to accept these Terms/Waiver/Release (“Terms”).

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