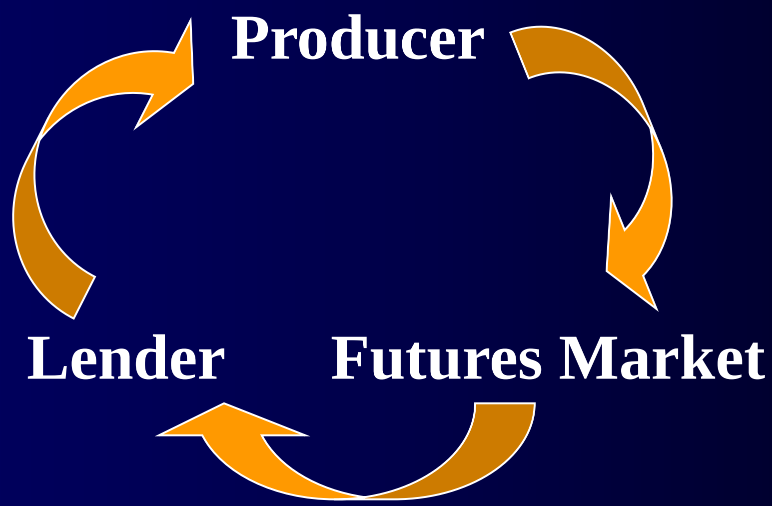
Shootin' The Bull

Assignment of Futures Contracts and Options on Futures Contracts

Futures trading is not for everyone. The risk of loss in trading futures can be substantial; therefore, carefully consider whether such trading is suitable for you in light of your financial condition. Past performance is not indicative of future results, and there is no assurance that your trading experience will be similar to the past performance.

A Tool for Managing Risk



Assignment of futures contracts or options on futures contracts is a security agreement that allows for a second party to finance a specific bona fide hedge position on a futures or options on futures contract.

The market environment we are currently in has produced significant constraints upon working capital. Everyone has felt the pressure of the volatile market fluctuations.

To a producer or consumer, a hedge is the buying or selling of a commodity futures contract or option on a futures contract to establish a price today for delivery in the future. These hedge positions can be highly margined and may require extensive capital to maintain them. In order to help facilitate capital for the producer/consumer, they may want to use "an assignment of futures contract".

A security agreement is a financing method in which the producer/user could utilize futures or options on futures contracts to collateralize a loan or line of credit for a bona fide hedge.

The reason a producer may want to use an assignment of futures contract is to potentially gain initial or additional capitalization to meet the financial constraints a hedge position could cause.

The reason a lender may want to use an assignment of futures contract is to collateralize the loan or line of credit to potentially reduce the risk exposure of adverse price fluctuation the producer may incur while hedged.

Risk is inherent in the manufacturing and production of commodity goods. Individuals and companies can use futures contracts or options on futures contracts to help reduce the risk of potential adverse price fluctuation. This tool has been used since the founding of the Chicago Board of Trade in 1848.

Risk is also inherent when lending capital. Lenders can require collateral on loans and lines of credit to help reduce the risks they are exposed to by the borrower. In some lending instances, physical collateral, (Home, Car, Tractor) may be suitable to secure a loan or line of credit. Livestock, grains, and other food items may not be suitable to be placed as collateral. Contractual agreements for the purchase or sale of those goods could be suitable though.

The assignment of futures contract or an option on a futures contract is a tool to help manage risk. Used by both the producer/consumer and lender, this security agreement could help to secure the capital needed to facilitate the production or manufacturing of commodity goods.

I understand that aspects of an assignment of futures contracts or options on futures contracts can be confusing. If you have any questions or would like additional information, feel free to contact Christopher B. Swift at any time.

Christopher B. Swift
Swift Trading Company
144 Second Avenue North
Nashville, TN 37201

(877) 863-2206 Toll-Free
(615) 844-2206 Local
chris.swift@shootinthebull.com

www.shootinthebull.com

www.rcgdirect.com