



Capped Average Energy Contract

The Capped Average contract provides the protection of a futures price ceiling while allowing the potential of a settlement at a lower average futures price. One advantage of this contract is that it can be done for any quantity of gallons. There is no minimum required.

This Capped Average is one of the CHI COMPASS® family of over-the-counter (OTC) products from Country Hedging and is used to price exchange-traded futures, including NYMEX heating oil and RBOB. CHI COMPASS products help level out price risk with alternative cash contracts that simplify both decision-making and execution.

Learn more at www.countryhedging.com.

For informational purposes only. There is a risk of loss when engaging in these kinds of transactions.

Capped Average Heating Oil Example

Futures Contract	May 10 (HOK10)
Futures Ceiling	\$2.20
Averaging Period	Aug. 5, 2009 – Apr. 14, 2010
Cost	\$0.20

Potential Results

Average closing futures price between Aug. 5, 2009, and Apr. 14, 2010, is \$1.50

Average Price	\$1.50
Cost	\$0.20
Settlement Price	\$1.70

Average closing futures price between Aug. 5, 2009, and Apr. 14, 2010, is \$2.50

Ceiling Price	\$2.20
Cost	\$0.20
Settlement Price	\$2.40

Average closing futures price between Aug. 5, 2009, and Apr. 14, 2010, is \$3.50

Ceiling Price	\$2.20
Cost	\$0.20
Settlement Price	\$2.40

The settlement price in this instance is a futures-only price for HOK10. This could be a Futures Fixed contract or it could be the futures pricing for basis that has already been established.

